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# **THE OVERSEAS EXPANSION OF CAPITAL**

Past and Present



Progress Publishers  
Moscow

Translated from the Russian by  
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## ВНЕШНЯЯ ЭКСПАНСИЯ КАПИТАЛА

История и современность

На английском языке



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English translation of the revised Russian  
text © Progress Publishers 1985

Printed in the Union of Soviet Socialist Republics

Г 0604000000-347 43-85  
014(01)-85

## CONTENTS

To the Reader . . . . .	5
<i>Chapter 1</i>	
Export of Capital: the Material Basis of the International Expansion of Monopolies . . . . .	7
§1. The export of capital in capitalism's system of international relations . . . . .	7
§2. The features of the present-day international expansion of capital . . . . .	18
§3. Export of capital, the material foundation of U.S. monopolies' global pretensions . . . . .	32
<i>Chapter 2</i>	
U.S. Foreign Economic Expansion before World War I and the Role of Capital Exports . . . . .	39
§1. American expansion before World War I . . . . .	39
§2. Main directions of U.S. capital exports before World War I . . . . .	49
2.1. From the history of American capital's infiltration of Russia . . . . .	55
2.2. The export of American capital to Japan . . . . .	63
2.3. The expansion of American capital in China . . . . .	66
<i>Chapter 3</i>	
The American Foreign Investments during World War I and the Post-war Settlement . . . . .	72
§1. American war loans . . . . .	72
§2. Financing the 'export of counter-revolution' . . . . .	86
§3. The use of war debts as a means of pressure on debtor countries . . . . .	88
§4. The U.S. approach to the 'Russian debts' . . . . .	92
<i>Chapter 4</i>	
The Role of U.S. Capital Exports between the Wars . . . . .	105
§1. The increase of expansionism and the growth of U.S. foreign capital investments . . . . .	105
§2. The structure and distribution of U.S. foreign capital investments. The struggle for a redivision of spheres of dominance . . . . .	110
§3. The role of U.S. monopoly capital in preparing World War II and the rebirth of German militarism . . . . .	120
3.1. U.S. policy in regard to war debts and reparations and its role in the restoration of Germany's military and industrial potential . . . . .	122
3.2. U.S. capital investments and their role in reviving Germany's military and economic capability . . . . .	135
3.3. The role of cartel relations in the revival of German militarism . . . . .	147
<i>Chapter 5</i>	
American Capital Abroad during World War II . . . . .	155
§1. U.S. monopolies' economic interest in the war and the strengthening of the state's role in expansion . . . . .	155
1.1. The Export-Import Bank, an instrument of U.S. monopolies' expansion . . . . .	163
1.2. Lend-Lease as a means of U.S. economic and political expansion . . . . .	168
§2. Enrichment of American monopolies during the war, and intensification of interest in foreign expansion . . . . .	175



## Chapter 6

<b>Capital Exports in the Service of U.S. Postwar Imperialist Expansion . . .</b>	<b>184</b>
§1. The increase in American expansionism after World War II . . .	184
§2. The aggressive essence and consequences of 'aid' . . .	186
2.1. The expansionist character of the Anglo-American Financial Agreement of 6 December 1945 . . .	192
2.2. The Marshall Plan and its consequences for the expansion of American capital . . .	198
2.3. Expansion by means of farm 'surpluses' . . .	205
2.4. 'Aid' as an instrument of neocolonialism . . .	206
§3. The growth of American capital exports in the first postwar decades . . .	221
§4. Export of capital as a means of winning new markets and sources of raw materials and energy . . .	231
4.1. American capital's fight for oil . . .	232
4.2. Expansion of American capital in the rubber market . . .	253
4.3. The U.S. monopolies' fight to dominate other raw material markets . . .	260
§5. The role of international monetary and credit institutions in furthering the expansion of American capital . . .	266
5.1. The International Bank for Reconstruction and Development . . .	266
5.2. The International Monetary Fund . . .	272
5.3. Expansion by means of international organisations . . .	275

## Chapter 7

<b>Today's Main Features of U.S. Capital Exports . . .</b>	<b>293</b>
§1. Significance and scope of capital exports in the strategy of American imperialism . . .	293
§2. American investments in Western Europe, Canada, and Japan . . .	305
2.1. The prerequisites of today's expansion of American capital . . .	306
2.2. The scope and directions of modern expansion, and growth of exploitation . . .	314
§3. Capital exports as an instrument of modern neocolonialism. American investments in Asia, Africa, and Latin America . . .	325
3.1. The scale of the increase of expansion . . .	326
3.2. The forms and directions of expansion . . .	332
3.3. The change in conditions of exploitation (investment in oil) . . .	343
3.4. The increase in American capital's exploitation of developing countries . . .	351
3.5. U.S. monopolies and the new international economic order . . .	357
§4. The promotion of capital expansion by means of international monetary and financial institutions . . .	361

## Chapter 8

<b>Capital Exports and the Crisis of Imperialist Policy . . .</b>	<b>367</b>
§1. The expansion of capital and the principles of bourgeois diplomacy . . .	367
§2. World co-operation as a counterweight to the sordid expansion of capital . . .	372
§3. The crisis of the system of international capitalist relations, and the restructuring of international economic relations on an equal footing . . .	376
<b>Bibliography . . .</b>	<b>383</b>
<b>Subject Index . . .</b>	<b>409</b>
<b>Name Index . . .</b>	<b>417</b>
<b>Tables . . .</b>	<b>421</b>

## TO THE READER

It is hoped that this edition of *The Overseas Expansion of Capital* will interest readers in English-speaking countries who want to understand the theoretical basis of the reasons for the world expansion of capital. The export of capital largely determines the character of international relations in the capitalist world.

This book is mainly devoted to the present-day state of the export of capital, the sharpening of inter-imperialist contradictions in that sphere, the mass offensive of transnational corporations on the world capital market, and their neocolonialist pretensions in the developing countries of Asia, Africa, and Latin America.

In our day the role of the export of capital has grown considerably through the impact of scientific and technical advance as a consequence of the rapid development of the productive forces, the increased internationalisation of production, and the extension of world economic ties. The policy of capital exports has become more and more aggressive, which is producing increasing resistance by progressive forces opposed to the greedy aspirations of the monopolies. While endeavouring to limit the harmful influence of the export of capital, these forces are also trying to put forward a reasonable alternative as regards a radical restructuring of international economic relations on a democratic and equal basis. The Soviet Union firmly stands for such an approach to the development of international economic relations; its foreign policy is opening up real opportunities for organising broad international co-operation in the interests of the peoples of all countries on a basis of equality, respect for their sovereignty, non-interference in their internal affairs, and mutual benefit.

Mikhail Gorbachev, the General Secretary of the CPSU Central Committee, said: "In the area of international relations our policy is clear and consistent. It is a policy of peace and progress... The Soviet Union will always respond to good will with good will and to trust with trust. Yet everyone should understand that we shall never forgo the interests of our country or those of its allies."

There is no doubt that the future belongs to that policy of socialism which is based on the principle of peaceful coexistence of countries with different social systems.

A. GROMYKO

## EXPORT OF CAPITAL: THE MATERIAL BASIS OF THE INTERNATIONAL EXPANSION OF MONOPOLIES

### §1. The export of capital in capitalism's system of international relations

The twentieth century, which has entered its closing decades, can justifiably be called the century of the triumph of the ideas of Marxism-Leninism. Lenin's brilliant forecasts and his mind and will, embodied in the diverse activity of the Communist Party of the Soviet Union, opened a new stage in world development, and marked the beginning of man's transition from his prehistory to the epoch of the real history of world civilisation. Capitalism and the imperialist system that has grown from it are collapsing under pressure of the revolutionary struggle of the peoples, inspired by the immortal ideas of the Great October Socialist Revolution.

At the present stage, when socialism is firmly consolidated over a considerable part of the world and is steadily developing, when forces are growing within capitalist countries that stand for a revolutionary restructuring of society, and when the struggle for national liberation is growing in many countries into a fight against the whole system of oppression and exploitation, imperialism's historical lack of prospects is becoming more and more obvious. The CPSU is fully justified in drawing the important theoretical conclusion that imperialism has irrevocably lost its hold on the majority of mankind.

An irreversible process of dissolution has gripped capitalism from top to bottom: its economic and state system, and its policy and ideology. The crisis has also gripped the very foundation of this last exploiter system, viz., capital as a system of social relations of production, be they the primary ones in the process of production, or the *secondary*, *tertiary*, and generally *derived*, *transmitted* non-primary relations of production manifested in the international sphere.<sup>1</sup>

Lenin's deep analysis of imperialism is the key to understanding the crisis and contradictions that are showing themselves in the present stage of capitalism's development, and that are affecting the very system of capitalist relations of production, the separate national economies, and the set of international relations, especially foreign economic ones.

Life experience has again and again confirmed the incontrovertibility of the Marxist-Leninist inference about the historically limited nature of bourgeois society and the objective inevitability of overthrow of the capitalists' class domination.

<sup>1</sup> See Karl Marx. *A Contribution to the Critique of Political Economy* (Progress Publishers, Moscow, 1977), p. 215.



It would be impossible to put an end to the rule of capitalism if the whole course of economic development in the capitalist countries did not lead up to it.

Lenin wrote.<sup>2</sup> The social productive forces, growing within the private property form of capitalist relations of production, are inevitably outgrowing this integument and coming into a contradiction with it that is insurmountable in bourgeois society.

The hitherto unheard-of concentration of production and capital in the hands of big monopolies has led to the most important features of imperialism being thrown into greater relief, namely the dominance of monopolies and the parasitism of capitalism. Economic crises are increasing in frequency. Inflation has reached an unprecedented scale. Social contradictions are becoming sharper. Attempts to solve the deep contradictions of capitalist relations through state monopoly intervention, and to heal the ills of capitalism by introducing the advances of the scientific and industrial revolution into production, are not leading to a liquidation of general economic instability and an overcoming of those contradictions; rather, they are becoming increasingly acute and acquiring a particularly destructive character.

The report of the Central Committee to the 26th Congress of the CPSU noted a *further sharpening of the general crisis of capitalism*, and in that connection the historical lack of perspective of the various capitalist reforms intended to save capitalism as well as the system of international relations created by it.

It is more than obvious [the report said] that state regulation of the capitalist economy is ineffective. The measures that bourgeois governments take against inflation foster stagnation of production and growth of unemployment, what they do to contain the critical drop in production lends still greater momentum to inflation.<sup>3</sup>

The report also stressed the incapacity of capitalism to lessen the tension of the class struggle, the more so that application of the advances of the scientific and industrial revolution in the conditions of capitalist society is turned against the workers. Millions of people are turned away from the gates of mills and factories.

Attempts to dampen the intensity of the class struggle by social reforms of some kind are having no success either. The number of strikers has risen by more than one-third in these ten years, and is even officially admitted to have reached the quarter-billion mark.<sup>4</sup>

Capitalism has clearly proved to be unable to cope with the very deep contradictions that it has generated.

There is no slackening, however, of the efforts of both bourgeois statesmen and economists to find newer and newer 'wonder prescriptions', which, if they do not bring immediate relief of capitalism's sickness, at least promise 'light at the end of the tunnel'. There have been no few of them in past decades, and each 'theory' advanced has promised to put an end to the grave muddle, confusion, and defects.

<sup>2</sup> V. I. Lenin. *War and Revolution. Collected Works*, Vol. 24 (Progress Publishers, Moscow, 1974), p 417.

<sup>3</sup> *Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union* (Novosti Press Agency Publishing House, Moscow, 1981), p 27.

<sup>4</sup> *Ibid.*

Sooner or later, however, life has demonstrated their inadequacy both for the domestic economy and for the system of international relations.

Advocates of the 'economy of increased productivity', for example, Arthur B. Laffer, Robert Mandell, and Norman B. Tur, who have come forward with prescriptions to improve the health of the sick U.S. economy, have been trying of late to get wide publicity for their views. The opinions of this trend have been most fully expressed by George Gilder in his *Wealth and Poverty*.<sup>5</sup> There was a rush to christen this work the 'bedside book' of economists of the Reagan trend, and of the U.S. President himself. There is no lack of claims for the innovatory character of this conception and 'reliability' of the conclusions drawn from it, but the fate of its many predecessors undoubtedly awaits it.

The theoretical baggage of this group of experts is poor, and their scheme for a way out of the difficulties is distinguished by a primitive, four-square character. They themselves call it a 'compendium' of previously expressed ideas and of government policy measures, tried and tested in the past. This digest of economic views and political advice might rather be called a sort of manual for apologists for the so-called economy of increased productivity than a theory or even a textbook. Since methods of state support of the economy have not justified themselves, they argue, we should do the opposite and stake everything on stimulating private enterprise and freeing it from government tutelage of any kind.

Like other bourgeois economists, they stubbornly refuse to admit that contradictions immanent in capitalism are ultimately the cause of all the difficulties and crises of the capitalist economy. They persistently decline to see the real essence of the new problems of contemporary capitalism, i.e. the combination of crises of overproduction and growth, even accelerated growth, of prices; the phenomenon has come to be known as 'stagflation',<sup>6</sup> and has been described in the works by Soviet economists as 'the crisis of the regulated capitalist economy'.<sup>7</sup>

Advocates of the 'economy of increased productivity', or more bluntly 'Reaganomics', try to put down all existing problems of the contradictory functioning of the capitalist machinery to the mistakes and miscalculations of government action on the economy (although that was intended to blunt the acuteness and destructive force of capitalist cataclysms).

The theoretical ineffectualness of this conception cannot be saved by quotations from John Maynard Keynes and economists like Jean-Baptiste Say (the fallaciousness of whose views was revealed by Karl Marx). On the contrary, the combination of theories so different in character is evidence of the eclectic nature of the theoretical basis of 'Reaganomics'. Its apologists try to theoretically substantiate prescriptions for 'improvement' by means of figures and abstract models:

<sup>5</sup> See George Gilder. *Wealth and Poverty* (Bantam Books, New York, 1981).

<sup>6</sup> See, for example, Paul A. Samuelson. *Economics*, 10th Edition (McGraw Hill, New York, 1976), pp 266, 321, 365, etc.

<sup>7</sup> See S. M. Menshikov. *Inflyatsiya i krizis regulirovaniya ekonomiki* (Inflation and the Crisis of the Economy's Regulation), Mysl Publishers, Moscow, 1979.



stimulation of private business by reducing taxes is claimed to lead to a growth of production and should correspondingly revive the economy. A programme of stimulating the 'supply side' in combination with a cutting back of budget appropriations (except military ones) has become the kernel of the present U.S. Administration's economic policy.

The illusoriness of the hopes connected with this conception is being proved in both theory and practice. Bourgeois economists who worked for previous administrations had themselves spoken of its unsoundness long before it was proclaimed. And now experts working for the present Administration are more and more often throwing doubts on it.<sup>8</sup> The calculations that rejection of 'economic experimenting', and return to former, Keynesian methods, could correct the situation were also, incidentally, illusory. The unsoundness of the theoretical conceptions of Gilder and others is being corroborated more and more by the practical results of economic administration, by growth of the economic difficulties, characteristic of the contemporary U.S. economy, unprecedented unemployment, etc.

In spite of Gilder's claims that true wealth is not measured by money but by such immaterial values as creativity and initiative, technical enterprise and stimuli that can only be found in 'free', in no way restricted, economic enterprise, everything is just the opposite, in reality, under capitalism.<sup>9</sup>

Gus Hall, the General Secretary of the Communist Party USA, characterising this policy of monopoly capitalism, has remarked that the Reagan Administration, by putting an end to all the concessions typical of Keynesian economics, had replaced it by what could be called the 'economics of monopoly highway robbery'.<sup>10</sup> That is an exact description of the class essence of the present economic policy of the

<sup>8</sup> It is worth noting that even the journal *Amerika* (No. 300, November 1981), which promptly responded officially with material on the economic views of the new administration, and even reprinted extracts from Gilder's book, did not consider it possible to hide the serious scepticism toward views of that kind of economists, economic experts, and even representatives of business in the USA, whose 'prosperity' the conception was meant to serve.

<sup>9</sup> It is worth recalling here that the references to stimulating wealth as the foundation of development are as unsound as hoping on diametrically opposite stimuli, i.e. poverty as the basis of historical movement. One of the fathers of petty-bourgeois egalitarian socialism, P. J. Proudhon (the erroneousness of whose views was exposed by Karl Marx), claimed, for example, that nature had endowed man with two opposing qualities—an unlimited capacity to consume and a limited capacity to work. As if to counterbalance the future work of George Gilder & Co., Proudhon drew a conclusion about the nature of poverty as man's natural state.

Though Proudhonism has long been refuted by life, Mao Zedong and his supporters in fact resorted to it to justify their actions. Mao's formula 'the poorer the people, the more revolutionary they are' was built on precisely that unstable foundation. For all their outward contrast (on the one hand wealth, on the other poverty, in the one case J.-B. Say, and in the other P. J. Proudhon) these views are closely related methodologically, and serve equally on the political plane to justify voluntarism and adventurism.

<sup>10</sup> Gus Hall. Critical Issues of the 1980 Campaign. *Political Affairs*, 1980, 59, 7:6.

USA. The slogan of the Communist Party USA—'People before Profits'—helps open the eyes of the broad masses to the anti-popular essence of modern monopoly capital's policy, especially when it exports resources in pursuit for profits, while more than 11 million people are queueing at the labour exchanges within the country.

Almost half a century before the appearance of 'Reaganomics' the eminent Indian statesman Jawaharlal Nehru wrote:

But daily it is becoming more evident that the methods of 'high finance' are most shady, and differ from what is usually considered robbery and deception only in the big scale of their operations.<sup>11</sup>

The policy of conservatives permits this robbery and deception to be developed quite irrespective of where that kind of financial experiment is being tried, whether in the USA or in Great Britain.

The crisis and contradictions of capitalism have also become more acute in the international field. As was pointed out at the 26th Congress of the CPSU, the struggle for markets and sources of energy and raw materials has been intensified, there is irreconcilable rivalry among the separate groups of monopoly capitalists for the right to dominate on the world markets, and to extract higher profits through exploitation of the working people of other countries. Underlying the growing inter-imperialist contradictions there is also the historical limitedness of capital as a category, its incapacity to tackle key problems of development at the international level as well as the national. The operations of transnational corporations (TNCs)—the highest organisational form of the internationalisation of production and capital in modern conditions—are making inter-imperialist contradictions particularly acute.

For Marxist science this is not an unexpected phenomenon. Let us recall one of the fundamental principles of the economic essence of imperialism revealed by the founders of Marxism-Leninism, viz., the export of capital.

Lenin wrote, when analysing the main attributes of imperialism: Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed.<sup>12</sup>

This definition indicates the relation between the chief economic features of imperialism, and stresses the main distinguishing feature of the new stage in the development of capitalism, viz., the replacement of free competition by the dominance of monopolies. The capitalist monopolies belonging to the financial oligarchy expanded widely abroad, and the export of capital had become the most important economic basis of that expansion, through which, by the beginning of the twentieth century,

capitalism has grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of 'advanced' countries.<sup>13</sup>

<sup>11</sup> Jawaharlal Nehru. *Glimpses of World History* (Asia Publishing House, Bombay, 1964), p. 938.

<sup>12</sup> V. I. Lenin. *Imperialism, the Highest Stage of Capitalism* (Progress Publishers, Moscow, 1982), p. 84.

<sup>13</sup> *Ibid.*, p. 11.



When singling out export of capital as one of the main characteristics of imperialism, Lenin pointed out its special significance for the description of this highest stage in the development of capitalism. In his *Imperialism, the Highest Stage of Capitalism* he called the export of capital one of the 'most essential economic bases of imperialism'.<sup>14</sup> And when formulating the components of the concept 'imperialism' in his *Notebooks on Imperialism*, he labelled 'monopoly, as the result of concentration' point I, and 'export of capital' point II, adding in parentheses 'as the chief thing', which is an extremely important indication of how he interpreted the significance of the 'export of capital' in the concept 'imperialism'. He classed points III and IV under a single heading 'division of the world', with two subsections 'agreements of international capital' and 'colonies', which also, of course, assumed wide use of the export of capital by monopolies. After point V 'bank capital and its "threads"', Lenin named the following feature as the final, sixth point: 'replacement of free trade and peaceful exchange by a policy of force (tariffs; seizures, etc., etc.)'.<sup>15</sup> Here again, we see, he distinguished the idea of the essence and character of the international operations of capital.

The export of capital, by facilitating export of goods and capture of new markets, sources of materials, and spheres of exploitation, and ensuring enslavement of the peoples of other countries, has undoubtedly become one of the main factors in the international activity of imperialist states, as well as in their economic policy. As Lenin pointed out, it is not only possible at the imperialist stage of development of capitalism, but is also necessary, and has become a typical phenomenon that has acquired paramount, dominant significance compared with the export of goods. As he wrote:

Typical of the old capitalism, when free competition held undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital.<sup>16</sup>

Karl Marx, of course, had already pointed to the export of capital as a form of international economic relations under pre-monopoly capitalism. He had pointed out in *Capital* that, with the development of capitalism, there inevitably arose a need to export some of the accumulated capital abroad instead of applying it within the country, and that this exported capital functioned as a relative 'surplus' or 'plethora'.

If capital is sent abroad [he wrote] this is not done because it absolutely could not be applied at home, but because it can be employed at a higher rate of profit in a foreign country.<sup>17</sup>

Furthermore,

The so-called plethora of capital always applies essentially to a plethora of the capital for which the fall in the rate of profit is not compensated through the mass of profit ... or to a plethora which places capitals incapable of action on their own at the disposal of the managers of large enterprises in the form of credit.<sup>18</sup>

<sup>14</sup> V.I. Lenin. *Imperialism, the Highest Stage of Capitalism*, p 94.

<sup>15</sup> V. I. Lenin. *Notebooks on Imperialism. Collected Works*, Vol. 39 (Progress Publishers, Moscow, 1976), p 202.

<sup>16</sup> V. I. Lenin. *Imperialism, the Highest Stage of Capitalism*, p 59.

<sup>17</sup> Karl Marx. *Capital*, Vol. III (Progress Publishers, Moscow, 1978), p 256.

<sup>18</sup> *Ibid.*, p 251.

The lagging of growth of the home market behind growth of the accumulation of capital, and the tendency toward a fall in the average rate of profit through growth of the organic composition of capital, both naturally increased the scale of the 'plethora' of capital, and intensified the incentives to export it where its application promised higher profit.

That was in the pre-monopoly stage of the development of capitalism. In the epoch of imperialism these incentives have not only grown, but have also obtained a consummate material base in the form of monopolies that are expanding internationally. When Lenin disclosed the anti-popular, exploiter essence of the export of capital he linked its causes directly with the main contradictions of capitalism. He wrote:

Three contradictions of capitalism: 1) social production and private appropriation, 2) wealth and poverty, 3) town and countryside, inde—export of capital.<sup>19</sup>

The export of capital, itself engendered by the deep contradictions of the capitalist mode of production, carries these contradictions into international affairs and makes them the main inner content of the various international connections between countries that are part of the capitalist system.

The forms and scale of the export of capital, of course, predetermined the character of the imperialist systems of the different countries, because industry and trade relations within each nation depend on its dealings with other nations, they are conditioned by its relation to the world market. Lenin defined British imperialism, for example, as colonial, and French as usurious. These features of the imperialist systems laid a deep impress on the structure and character of the British and French economies, and largely determined the direction of their foreign political interests.

The antagonisms inherent in the capitalist system, the contradictory forms of their temporary and partial resolution, and the anti-democratic, anti-popular line of its home and foreign policies are characteristic features of capitalism's international relations. The export of capital and its motive forces and stimuli express this essence most fully.

The features of the modern position of capitalism noted at the 24th, 25th, and 26th Congresses of the CPSU stem logically from the Marxist-Leninist analysis of imperialism, but at the same time reflect characteristic features of the present stage of the struggle of the two systems, and the prodigious growth of anti-imperialist forces throughout the world.

Capital's role in the politics and international relations of the world capitalist system at the end of the twentieth century has been contracted through the radical changes made in the world by the October Revolution. As time passes these changes are making themselves felt to a greater extent. As Lenin wrote:

We have a right to be and are proud that to us has fallen the good fortune to begin the building of a Soviet state, and thereby to usher in a new era

<sup>19</sup> V. I. Lenin. *Notebooks on Imperialism. Op. cit.*, p 240.



in world history, the era of the rule of a *new* class, a class which is oppressed in every capitalist country, but which everywhere is marching forward towards a new life, towards victory over the bourgeoisie, towards the dictatorship of the proletariat, towards the emancipation of mankind from the yoke of capital and from imperialist wars.<sup>20</sup>

The logical development of this process has led to the development of a new type of international relations which, as the 26th Congress of the CPSU stressed, 'have truly become relations between nations'.<sup>21</sup> The restructuring of international relations, and the delivering of mankind from the yoke of capital have gripped various spheres of relations, including those linked with the international movement of capital.

The features of capitalism today thus also inevitably reflect the adapting of the last exploiter system to the radical changes that have taken place in the world under the impact of real socialism. But this adaptation is unable to overcome the primary cause of contemporary capitalism's deep socio-economic and political contradictions.

A Marxist-Leninist analysis shows that the capitalist class is not in a position to prevent the elimination of capitalist relations of production either within individual countries or in international affairs. That fact is being more and more widely recognised internationally. The following comparison is worth noting.

Nearly half-a-century ago Jawaharlal Nehru drew a conclusion about 'a socialized international structure' from an analysis of the historical process of the internationalisation of production:

Capitalism, having had its day, had reached the stage when it was time for it to retire in favour of socialism. But unhappily such a voluntary retirement never takes place. Because crisis and collapse threatened it, it has ... tried to reverse the past tendency towards interdependence... The question is if this can succeed, and even if it does so, for how long?<sup>22</sup>

History has answered the question Nehru formulated in a British colonial prison in August 1933 with the victory of socialism over a wide territory of the world, and the gains of the peoples' liberation struggle. It is worth noting that these changes were reflected in Resolution 35/56 adopted by the 35th Session of the General Assembly of the United Nations. It says:

Urgent action should be taken by all the members of the international community to end without delay colonialism, imperialism, neo-colonialism, interference in internal affairs, *apartheid*, racial discrimination, hegemony, expansionism, and all forms of foreign aggression and occupation, which constitute major obstacles to the economic emancipation and development of the developing countries.<sup>23</sup>

This clear *definition* of the obstacles preventing social progress indicates the determinant role of socialism, which, for the first time in history,

<sup>20</sup> V. I. Lenin. Fourth Anniversary of the October Revolution. *Collected Works*, Vol. 33 (Progress Publishers, Moscow, 1973), p 55.

<sup>21</sup> *Documents and Resolutions. The 26th Congress...*, p 9.

<sup>22</sup> Jawaharlal Nehru. *Op. cit.*, p 981.

<sup>23</sup> International Development Strategy for the Third United Nations Development Decade. *Resolutions and Decisions Adopted by the General Assembly during Its Thirty-Fifth Session*. 16 September-17 December 1980, 2-6 March and 11 May 1981. General Assembly. *Official Records: Thirty-Fifth Session*. Supplement No. 48 (A/35/48), United Nations, New York, 1981, p 107.

links these phenomena of the exploiter system as the object of its struggle. Not so long ago such formulations could only have been approved by the most far-sighted politicians and thinkers, like Nehru, or social forces sympathising with the ideas of socialism. Now they are adopted, by an overwhelming majority of votes, in the most representative international organisation.

Attempts to delay the abolition of primary, secondary or tertiary derivatives of capitalist relations of production by means of state monopoly measures to regulate the economy, promote the development of transnational corporations, and introduce scientific and technical advances lead only to the development of new contradictions and the intensifying of old ones; on the historical plane, however, it is not in their power to save capitalism as a socio-political system. The formation and growth of a world system of socialism, the national liberation movement of the peoples, and the fight of the working people in capitalist countries for their rights constantly, in their deep significance, confirm the correctness of this Marxist-Leninist conclusion.

Its significance for both theory and practice is beyond doubt. But no less important for science and practice (especially international practice) is the fact, as stressed by the 25th and 26th Congresses of the CPSU, that capitalism has not stopped dead in its development: it has many reserves that have formed within it over the centuries. But these reserves and their use are profoundly anti-popular and fully reflect both the exploiter essence of capitalism and its historical doom. The report of the CPSU Central Committee to the 26th Congress drew attention to this feature of the modern development of capitalism, where it spoke of the need to study

some new phenomena in the capitalist world, specifically the features of the present stage of capitalism's general crisis and the rapidly growing role played by the military-industrial complex and the transnational corporations.<sup>24</sup>

Not one of capitalism's reserves is capable, of course, of altering the onward development of human society, and none can abrogate its doom as a social system, but they can put off its final collapse in one part of the capitalist world or another, deform the social progress in one country or another, and distort the lines of its development from the angle of the historical perspective (and that possibly at a dear price for mankind).

It is not just a matter of the losses that nations, and first and foremost the working people, are constantly forced to bear because of their exploitation by capital—in principle it is not so very important by which capital, super-monopolised or non-monopolised, local or infiltrating from abroad.

The fact that capital, in striving to ensure its further existence and functioning, i.e. in its drive to grow and extract profit, resorts to the most monstrous, anti-popular means and gives preference to militarism, the arms race, threats to use military force to defend its vested, class interests is a special danger to humankind, the more so when its inter-

<sup>24</sup> See *Documents and Resolutions. The 26th Congress...*, p 102.



ests are elevated to the rank of 'vital' ones. The arms race unleashed by monopoly capital has already cost humanity dear. The losses may still multiply many times over unless insurmountable barriers are raised in the way of the military-industrial business. Past war expenditure did not promote mankind's advance along the road of progress. It is pertinent to recall Marx, who likened war expenditure to a nation's decision 'to drop a part of its capital into the ocean'.<sup>25</sup> But for capitalism, as a socio-economic system, and for capital military expenditure is a reserve for distorted development, and strengthening of its anti-popular character and parasitism.

The conception of world development and international relations that reflects the interests of capital thus at bottom contradicts the vital aspirations of nations.

Adventurism and a readiness to gamble with the vital interests of humanity for narrow and selfish ends—this is what has emerged in a particularly barefaced form in the policy of the more aggressive imperialist circles.<sup>26</sup>

Broader, more intensive exploitation of foreign markets through the export of capital is also a means of capitalism's development and consequently a reserve for its growth. Solution of their problems through foreign expansion and foreign markets has always strongly motivated monopolies' operations.

The export of capital has always been a means by which monopolies have consolidated their power, ensuring the making of higher profits, in which capital's cosmopolitan striving is glaringly displayed. The fact that capitalism feeds some of 'its' workers from overseas spoils, above all the workers of the metropolitan countries, has never altered the essence of the matter, because the export of capital helped it increase exploitation of the 'favoured' proletarians of its own land. The founders of Marxism-Leninism stressed the existence of an impassable gulf between the bourgeoisie and the working people, irrespective of what position a nation occupied in the world. Hence their pointing out of the existence of 'two nations' in every bourgeois nation. Engels, for example, wrote:

It is not surprising that the working-class has ... become a race wholly apart from the English bourgeoisie. The bourgeoisie has more in common with every other nation of the earth than with the workers in whose midst it lives... They are two radically dissimilar nations.<sup>27</sup>

In 1905 Lenin stressed the following as regards Russian reality: Employers and wage-workers, the insignificant number of the rich ('the upper ten thousand') and the tens of millions of those who toil and own no property—these are indeed 'two nations'.<sup>28</sup>

In accordance with the universal law of capitalist accumulation vast wealth has been accumulated at one pole (among the exploiting classes)

<sup>25</sup> Karl Marx. *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf) 1857-1858*, Verlag für fremdsprachige Literatur, Moscow, 1939, p 47 (my italics—A.A.G.).

<sup>26</sup> *Documents and Resolutions. The 26th Congress...*, p 27.

<sup>27</sup> Frederick Engels. *The Condition of the Working-Class in England*. In Karl Marx, Frederick Engels. *Collected Works*, Vol. 4 (Progress Publishers, Moscow, 1975), pp 419, 420.

<sup>28</sup> V. I. Lenin. *Socialism and the Peasantry. Collected Works*, Vol. 9 (Progress Publishers, Moscow 1962), p 307.

while poverty and want have grown at the other. The international movement of capital does not alter that truth.

American monopolists' export of capital, for example, in particular in the form of loans and credits, means robbery not just of the nations of the countries to which it is exported, but also of the people of the United States. Foreign direct and portfolio productive investments facilitate the monopolies' attack on the workers' rights. The conditions of the sale of labour power deteriorate, and unemployment grows. Export of capital through public channels is directly or indirectly linked with an increase in the tax burden.

The funds that go directly or ultimately for purposes directly or indirectly associated with militarisation of the economies of countries that are members of military blocs created under the aegis of the USA, and to enrich the monopolies that are exporting capital, are in no small degree obtained through exploitation of the working people of the United States. Any sum offered as financial 'aid' to other countries, and primarily intended to support reactionary regimes, must be paid first and foremost by the working sections of the population. For the workers, employees, and working farmers this 'aid' thus essentially means withdrawal of part of their incomes from them through taxes, with all the consequences stemming from that for their material position. In the context of the present economic policy, following the prescriptions of Gilder and others (which has been christened 'Reaganomics' after the President of the United States), reimbursement of part of the resources thus gathered together to the working masses is reduced to nought in practice by the Administration's refusal to maintain at least the limited social programmes of assistance for the needy sections of the population.

A certain burden is also laid on other strata through support of the monopolies' foreign expansion, including that part of business which is forced to pay for the international operations of its more monopolised and 'internationalised' class 'confrères'. That, of course, causes friction and contradictions within the capitalist class. It also used to be like that, but in the context of 'Reaganomics', the bigger and richer monopolies engaged in big international operations inevitably make the biggest gains.

In spite of claims about 'equal' rights, the powerful American corporations do not, in practice, bear any onerous expenditure, let alone losses, as a result of international expansion and the granting of such 'aid'. On the contrary, they, and only they, make colossal profits, since the export of capital stimulates their production and marketing, while the funds earmarked for 'aid' are predominantly spent to purchase American goods. The sale of American goods at the high prices fixed by the monopolies, and non-equivalent exchange with countries that have fallen into economic dependence on the USA also go hand in hand with the placing of profitable orders in the United States by the recipients of the 'aid'. As Lenin pointed out:

The most usual thing is to stipulate that part of the loan granted shall be spent on purchases in the creditor country, particularly on orders for war



materials, or for ships, etc... The export of capital thus becomes a means of encouraging the export of commodities.<sup>29</sup>

Many of the agreements on economic co-operation, concluded by the USA with both developed capitalist countries and developing countries, contain terms that enable American monopolists to get profitable orders for industrial equipment and other goods. Trade agreements as a rule contain clauses that provide for the granting of privileges to the USA by the recipients of American loans, credits, etc. Not only do the treaties concluded with small, economically weak countries contain privileged terms for the United States, but so do those with major capitalist powers. Special attention is paid to agreements with big countries, moreover, because of the great share of American exports to them.

The expansionist, exploitative character of the American loans and credits granted to other countries in recent years needs to be specially pointed out. The export of capital in the form of loans, credits, etc., has become a means of making many countries economically and politically dependent on U.S. monopoly capital, as follows from the very nature of the export of capital for the sake of colossal profits for the monopolies and, in pursuit of the aim, from broadening external economic expansion.

There is nothing new in U.S. monopolies' imposition of unequal relations on their partners from capitalist countries. It used to happen before, especially in the practice of U.S. economic relations with Latin America. Today, however, it is the rule, as is evidenced by the growing aggressiveness of U.S. monopoly capital and its drive to employ external economic relations in general, especially the export of capital, to consolidate its shaky position. What is new is that the U.S. Administration, proclaiming its aim the 'economy of increased productivity', is today demanding from foreign countries to adopt American prescriptions and recipes, and above all to recognise anti-communism and anti-Sovietism in politics to be a condition for getting American capital and technology.<sup>30</sup>

All of imperialism's attempts to exploit capital exports in order to consolidate its international positions (especially those of the main exporters of capital), and to fan anti-Soviet and anti-communist hysteria, cannot, however, alter the state of affairs. Capitalism's system of international relations is in a state of ever deepening crisis, which reflects the organic incapacity of the last exploiter system, by virtue of its immanent laws of development, to overcome the difficulties and resolve the contradictions that it itself has engendered.

## **§2. The features of the present-day international expansion of capital**

The constant disturbance of the reproduction processes of modern capitalism, its incapacity to utilise the advances of scientific and technical

<sup>29</sup> V. I. Lenin. *Imperialism, the Highest Stage of Capitalism*, p 63.

<sup>30</sup> See *U.S. News & World Report*, 1981, 91, 17:20.

progress as they should be, and the intensification of the contradictions in international relations are an expression of the deep, all-sided crisis of capitalism's economic and political system. In order to retard the weakening of the forces of world capitalism and the steady strengthening of world socialism, the imperialist countries, especially the USA, are taking a number of emergency measures.

New features have appeared in the present-day export of capital, some of which stem from inherent characteristic features of this form of imperialist expansion, while others reflect contemporary features of world development.

(1) There has been a substantial growth of the significance of capital exports for highly developed state monopoly capitalism, due to the accelerated internationalisation of its positions, and growth of the global pretensions of the biggest monopolies.

Before World War I practically all capital exports were made from funds created on the home money market. Small capitals were united, through the joint stock form of ownership, into a capital capable of finding profitable investment abroad. Two-thirds of all the issues of securities in Britain between 1880 and 1913, it is estimated, concerned foreign investments. Subsequently the role of small and medium capitals fell in the export of resources. Big monopolistic alliances became the main exporters. Foreign investments were concentrated in the hands of a narrow circle of very big monopolies. In the 1970s, for example, fewer than 200 American monopolies owned more than two-thirds of the overseas capital investments of that country. That is not just typical of the USA, of course, but also of other big imperialist countries.

There has been a corresponding substantial growth in the scale of capital exports, and in the size of the overseas investments belonging to the biggest, primarily transnational, monopolies and banks. For the period from 1914 to the end of World War II the overseas capital investments of the main capitalist countries grew by roughly a third (which corresponded to their level in 1930). In the period since the war the sum total of foreign capital investments has more or less doubled each decade.<sup>31</sup> As to the various forms of capital exports, growth was not homogeneous. If we take direct investments, for example, there has been a faster growth in the last fifteen years, doubling in six or seven years (\$112.4 billion in 1967, \$207 billion in 1973, and \$371.8 billion in 1978; in 1981 they reached a figure of the order of \$450 billion to \$460 billion)—on an average \$9 billion a year in 1967-9, \$14 billion in 1970-74, and \$33 billion in 1975-8. There has again been a substantial growth in the role of loans in recent years, but that has not lessened the functional role of direct investments.

The growth of capital exports has been the result, on the one hand, of rapid development of the productive forces, deepening internationali-

<sup>31</sup> See A. A. Manukian, E. S. Khesin, Yu. I. Yudanov. *The Export of Capital*. In N. N. Inozemtsev et al. *Politicheskaya ekonomiya sovremennogo monopolisticheskogo kapitalizma* (The Political Economy of Modern Monopoly Capitalism), Vol. 2 (Mysl Publishers, Moscow, 1975), p 73.



sation of production, extension of world economic relations through the impact of scientific and technical advance, and expanding of the positions of transnational corporations. On the other hand, and this is of fundamental importance, the rapid growth of capital exports is an indicator of the incapacity of modern, highly developed capitalism to cope with the problems of its development other than through accelerated internationalisation, forcing of overseas expansion, suppression of the national sovereignty of nations, and their subordination to its hegemonistic drive by shifting the burden of its contradictions onto them.

Capital exports directly or indirectly affect the interests of ever broader strata of the population in capital-exporting countries and various sections of business, including small and medium-sized. In striving to mask the growing anti-popular character of this course, and to mitigate the deepening contradictions between the various groups of monopolies, modern state monopoly capitalism has tried, by means of government programmes of various kinds, to unite their essentially different interests under the banner of securing 'national interests' and make the broadest strata of the population and business co-partners in the expansion of capital being implemented by the biggest, above all transnational, monopolies. The role of capital exports in the development of state monopoly capitalism, however, is not limited to that.

The bulk of foreign investments is concentrated in the industrially developed part of the capitalist world, leaving most developing countries in the position of step-children of scientific and technical advance. The ratio of industrially developed capitalist powers' net exports and imports of capital is indicative: more than half of new direct investment goes to industrially developed countries.

In 1978, for example, the net export of new direct investment in this group of countries was \$30,918 billion, the net import \$20,034 million. In 1978-80 these American investments abroad grew annually, on the average, by \$19.5 billion, while foreign direct investment in the USA rose by \$10.2 billion a year.<sup>32</sup> As leading economists in the West now write, there is a growth of 'interdependence' among a relatively narrow group of the industrial capitalist countries (see Table 1.1).

At the same time repeated attempts are being made to unify the interests and policies of the monopolies of various countries, including the rising (especially monopolised) business of developing countries, by means of capital exports. Some of the more far-sighted figures of the Western world (for example, J.F. Kennedy) reckoned on promoting an acceleration of capital exports to developing countries, and raising the efficiency of such expansion by pooling the efforts of imperialist countries, concentrating the main efforts on 'key' developing countries, and drawing the rising business of the new states over to their side as a partner. But these plans were not destined to be implemented, which indi-

<sup>32</sup> See *Recent Developments Related to Transnational Corporations and International Economic Relations*. U.N. Economic and Social Council. Commission on Transnational Corporations. Doc. E/C10/1982/2, 16 July 1982, p 5.

Table 1.1

Distribution of U.S. Overseas Direct Investments, 1950-1981

	Total (\$ million)			Percentage		
	1950	1980	1981	1950	1980	1981
Total	11,788	213,468	227,342	100.0	100.0	100.0
developed capitalist countries	5,696	157,084	167,112	48.3	73.6	73.5
developing countries	5,736	52,684	56,109	48.7	24.7	24.7
international and unstated	356	3,701	4,122	3.0	1.7	1.8

Sources: *Survey of Current Business*, 1981, 61, 2: 41; *Idem*, 1981, 61, 8: 32; *Idem*, 1982, 62, 8: 22.

cated the incapacity of capitalism and its lack of opportunities and resources to ensure fulfilment of profitable solutions that are strategic from its standpoint.

Business in developing countries proved a poor and unreliable ally. This young national capital is annually exporting direct investments to the tune of \$250 million (not counting the oil-exporting countries; with them the total would be roughly doubled). But its interests often diverge from those of the monopolies of the industrially developed countries.

In the absence of the desired class unity of the bourgeoisie under the aegis of the monopolies of the West, imperialism has been forced to resort to 'traditional means'. Along with growth of capital exports to liberated countries, intended to secure the economic, political, and social interests of the imperialist monopolies, the West (especially the USA) has widely resorted to the use of military force and aggressive methods for its purposes. It also does not mind applying these methods to other countries, as experience has shown. In that connection the 26th Congress of the CPSU noted that 'imperialist circles think in terms of domination and compulsion in relation to other states and peoples'.<sup>33</sup>

These circumstances do not alter the monopolies' drive mentioned above to consolidate the position of highly developed state monopoly capitalism within the imperialist powers and throughout the world capitalist system as a whole by means of capital exports.

(2) There has been a substantial growth in the aggressiveness of capital exports, which is expressed now in the very character of the penetration of foreign capital, because of its inability to ensure profitable application other than via a gross breach of the fundamental standards of international intercourse, flouting of the principles of equality and mutual benefit, and undermining of the foundations of peoples' national sovereignty, freedom, and independence. An essential

<sup>33</sup> *Documents and Resolutions. The 26th Congress...*, p 28.



factor in this heightened aggressiveness is the increasing unevenness of imperialist countries' development.

In this situation, as we know, Japanese and West European monopolies are competing more and more successfully with American capital, even on its home market. During the 70s the USA's share of world exports fell by almost 20 per cent, the fall being largely governed by the worsened position of American monopolies in the sphere of international investment. The aggressiveness of the rivals is ever increasing and becoming more ruthless, since transnational corporations (among which American monopolies constitute a significant part) play a dominant role in this struggle.

Apart from causes concentrated in the centres of highly developed state monopoly capitalism, the peculiarities of the position of less developed countries are also manifested in growth of the aggressiveness of international investing. As Lenin remarked:

Imperialism continually gives rise to *capitalism anew* (from the barter economy of the colonies and backward countries), giving rise *anew* to transitions from small-scale to large-scale capitalism, from weakly developed to highly developed commodity exchange, etc., etc.<sup>34</sup>

Capitalism still retains this reserve today; the export of capital helps monopolies to exploit it to secure the vital interests of state monopoly capital. But it is becoming more and more difficult to make use of this reserve, because of the growth of the forces of national liberation, an increasing number of countries choosing a road of progressive development (including a socialist orientation), and strengthening of the liberated countries' ties with the world of socialism.

Aggressiveness is becoming the imperialist circles' last effort to secure the placing of capital abroad necessary for them. The 26th Congress of the CPSU noted, in connection with their activity:

With utter contempt for the rights and aspirations of nations, they are trying to portray the liberation struggle of the masses as 'terrorism'. Indeed, they have set out to achieve the unachievable—to set up a barrier to progressive changes in the world, and to again become the rulers of the peoples' destiny.<sup>35</sup>

This aggressiveness is being manifested with mounting force since it is directly linked with the operations of the military-industrial complex and the monopolies' global militaristic plans. It is worth recalling how Lenin, at the dawn of the century, categorically refuted the claim of Karl Kautsky and his sympathisers that the export of capital and international interlocking of financial interests would lead to elimination of militarism, make wars impossible, and guarantee world peace. He pointed out the complete flimsiness and incompetence of statements like the following:

Is it possible to believe that peace may be disturbed ... that ... anyone would risk starting a war?... Who would dare to incur such a responsibility?<sup>36</sup>

<sup>34</sup> V. I. Lenin. *Notebooks on Imperialism*. *Op. cit.*, p 116.

<sup>35</sup> *Documents and Resolutions. The 26th Congress...*, p 27.

<sup>36</sup> Cited by Lenin in his *Notebooks on Imperialism* (*Collected Works*, Vol. 39, p 151) from Alfred Neymarck. *La Statistique internationale des valeurs mobilières. Bulletin de l'institut international de statistique*, 1912, 19, 2:225; see also V. I. Lenin. *Imperialism, the Highest Stage of Capitalism*, p 105.

Lenin resolutely rejected claims that monopolies wanted, through their subsidiaries, 'to entangle various nations financially and in this way promote world peace',<sup>37</sup> and repeatedly showed the real nature of war and militarism in his works. Kautsky and his sympathisers lacked depth of understanding of the contradictoriness of the complicated business of the interlocking of the interests of finance capital when it overstepped the national bounds and entered the international arena.

History has fully confirmed the correctness of Lenin's conclusions. Again and again fairy tales about the alleged elimination of militarism in itself through economic operations abroad have been refuted (told to divert public attention from the true sources of the war danger, and to persuade the public to seek the source of the threat to peace in an imaginary 'Soviet danger', and in an alleged growing aggressiveness of developing countries).<sup>38</sup> Attempts to organise a 'public democratic movement' that would cover up the monopolies' aggressive essence by slogans popular among the masses of the people (like the project 'Peace through Investment', propagandised in the USA) have been fiascos.

The vitality of Lenin's ideas was again attested at the 26th Congress of the CPSU, which stressed the existence of a relationship between the imperialist system of economic and political oppression on the one hand and the aggressive military machine on the other.

The monopolies need the oil, uranium and non-ferrous metals of other countries, and so the Middle East, Africa and the Indian Ocean are proclaimed spheres of US 'vital interests'. The US military machine is actively thrusting into these regions, and intends to entrench itself there for a long time to come. Diego Garcia in the Indian Ocean, Oman, Kenya, Somalia, Egypt—where next?

To split the expenses with others and at the same time to tie its NATO partners closer to itself, the United States is seeking to extend the functions of NATO. Washington strategists are obviously eager to involve dozens of other countries in their military preparations, and to enmesh the world in a web of US bases, airfields, and arms depots.<sup>39</sup>

The exploiter essence of capital exports and their close link with the monopolies' military, aggressive aspirations are quite clearly demonstrated.

(3) There has been a strengthening of the relations between capital exports and the foreign policy course of the imperialist powers which, moreover, has a very contradictory character as a reflection of the great changes that have taken place in the finance and industrial capital of the imperialist countries itself and as regards the balance of forces on the international scene and the strengthening of the forces of socialism and national liberation. That is being reflected in a host of facts char-

<sup>37</sup> Cited by Lenin in his *Notebooks on Imperialism* (*Collected Works*, Vol. 39, p 54) from Oskar Stillich. *Geld- und Bankwesen. Ein Lehr- und Lesebuch* (Curtius, Berlin, 1907), p 180.

<sup>38</sup> According to the list presented in the report *War Powers. Hearings before the Subcommittee on National Security Policy and Scientific Developments of the Committee on Foreign Affairs* (H.R., 93rd Congress, 1st Session, March 1973, pp 328-364), the USA took part in 199 military hostilities abroad between 1798 and 1972 alone without a declaration of war; the data on the 20th century have in no way given evidence of a lessening of the international aggressiveness of U.S. capital.

<sup>39</sup> *Documents and Resolutions. The 26th Congress...*, p 28.



acterising the economic and political development of modern capitalism, when powerful corporations and companies whose capital is calculated in billions of dollars boss the show in capitalist countries, especially in the biggest ones.

The drive of monopoly capital to play the decisive role in international relations, without allowing for the objective tendencies of social progress, is being intensified. Karl Marx disclosed the basis of this course, very precisely noting a trend typical of capitalism to convert the functioning capitalist into a cosmopolitan<sup>40</sup> (directly interested in international relations) as a result of 'the production of a constantly widening sphere of circulation' for production based on capital. 'Every limit', including national frontiers, becomes for such a capitalist 'a barrier to be overcome',<sup>41</sup> an 'accident' that he overcomes by means of foreign expansion (political, military, or economic).

In the imperialist stage this expansion of the monopolies becomes more and more aggressive. As Lenin wrote:

Domination, and the violence that is associated with it, such are the relationships that are typical of the 'latest phase of capitalist development'<sup>42</sup>; in its drive to expand, moreover, capital does not stop at eliminating 'competition even in a foreign state' by political suppression, military pressure or, as Lenin remarked, 'economic annexation'.<sup>43</sup>

In principle this feature has always been inherent in imperialist politics. When Lenin was gathering material for his *Imperialism*, he copied out the following statement by Hilferding: 'The most important function of diplomacy now is that of agency of finance capital.'<sup>44</sup> In the table 'Essayed Summary of World History Data After 1870, in his *Notebooks on Imperialism* Lenin traced the link of diplomatic acts and alliances with the international operations of trusts, the conclusion of customs agreements, large-scale concessions, etc.<sup>45</sup>

Lenin drew attention to a number of noteworthy admissions by bourgeois authors. He quoted, for example, the words of the German author Gerhard Schulze-Gaevernitz:

The export of capital is a means for achieving the foreign policy aims and, at the same time, its success depends on foreign policy.<sup>46</sup> And he copied out the following thesis from Hobson's *Imperialism*: 'the modern foreign policy of Great Britain is primarily a struggle for profitable markets of investment.'<sup>47</sup> The fact that these admissions were

made by bourgeois writers was very noteworthy. When such statements were included in the system of Lenin's analysis, they acquired a special documental character, and emphasised the topicality of his conclusions for our day as well.

Life has fully confirmed the correctness of Lenin's approach to analysing the role of capital exports in imperialist politics. To talk about them today is primarily to consider the expansion of a small group of industrially developed capitalist countries. More than nine-tenths of the total of direct private investments (roughly \$450-460 billion) mentioned above come from the USA, Great Britain, West Germany, Switzerland, Japan, Holland, France, and Canada. As will be seen, this group consists of all the most powerful and influential countries of the capitalist world, and the three centres of world capitalism (the USA, Western Europe, and Japan).

The list also includes the leading nucleus of the Western countries in the United Nations, and all three of the Western powers that are permanent members of the Security Council. The group of chief exporters of capital almost exactly coincides with the members of the annual meetings of Western leaders, where they agree the basic parameters of their policy. They are the main members of all the military, political and economic organisations and international institutions of capitalism, the main forces determining military and political strategy and the economic conjuncture, and the backbone of the military-industrial complex. All the biggest transnational corporations belong to them.

At the same time the chief exporters of capital, who lay claim to the role of locomotives of the capitalist system on politico-economic plane, are in fact the sources of the main upheavals of capitalist production, and the focus of its unresolvable contradictions, with all the consequences stemming from that for politics.

In systematically exploiting the working people of various countries, the monopolies receive backing from the most aggressive and reactionary forces in the modern world. Capital exports rank equally with support by means of foreign policy for militaristic regimes, anti-popular groupings of every kind, and the forces of racism and apartheid.

The peoples are coming out more and more resolutely for a restructuring of international relations on a just, democratic basis.

In that connection we must not ignore that fact that it is becoming more and more difficult for the monopolies to use the levers of the international movement of capital exclusively for the purposes of imperialist policy. As was noted at the 26th Congress of the CPSU,

the policy of peaceful coexistence charted years ago by Lenin is exercising an increasingly decisive influence on present-day international relations.<sup>48</sup>

Some influential business circles in the West are for developing co-operation with the USSR and other countries of the socialist community. Constructive business co-operation of that kind, based on the principles of non-interference, respect for sovereignty, due allowance for the partners' interests, and mutual benefit, has become a factor in contemporary international relations that has a restraining influence

<sup>48</sup> Documents and Resolutions. The 26th Congress..., p 34.

<sup>40</sup> See Karl Marx. *A Contribution to the Critique of Political Economy* (Progress Publishers, Moscow, 1977), p 152.

<sup>41</sup> See Karl Marx. *Grundrisse...*, pp 311, 312.

<sup>42</sup> V. I. Lenin, *Imperialism, the Highest Stage of Capitalism*, p 27.

<sup>43</sup> V. I. Lenin. A Caricature of Marxism and Imperialist Economism. *Collected Works*, Vol. 23 (Progress Publishers, Moscow, 1981), p 43.

<sup>44</sup> Copied by Lenin in his *Notebooks on Imperialism* from p 505 of the Russian translation (1912) of Rudolf Hilferding. *Das Finanzkapital (Marx-Studien)*, Vol. 3 (Berlin, 1910). See V. I. Lenin. *Collected Works*, Vol. 39, p 337.

<sup>45</sup> See V. I. Lenin. *Notebooks on Imperialism. Op. cit.*, pp 688-705.

<sup>46</sup> Cited by Lenin in his *Notebooks on Imperialism (Op. cit.)*, p 67 from G. Schulze-Gaevernitz. Die deutsche Kreditbank. In S. Altmann, K. Bücher, et al. *Grundriß der Sozialökonomik*. Book III (Tübingen, 1915), p 165.

<sup>47</sup> Quoted by Lenin in his *Notebooks on Imperialism (Op. cit.)*, p 410 from J. A. Hobson. *Imperialism. A Study* (Nisbet, London, 1902), p 60.



on the monopolies' aggressive aspirations and on uncontrolled expansion of capital. That fact is of special significance for the liberated countries, which are interested in getting resources and technology from abroad to promote their economic advance and consolidate their political independence.

(4) Finally, a characteristic feature of the modern export of capital is the intensification of its exploiter essence. Its features listed above serve precisely that end, viz., growth of its significance for state monopoly capitalism, growth of its aggressiveness, especially broad use of militarism, and strengthening of its relation with foreign policy and diplomacy.

The working people of various countries have become the object of growing exploitation. Lenin, criticising those who claimed that capital was exported solely to new countries, wrote in October 1917: 'Under imperialism, capital has begun to be exported to the old countries as well, and not for *superprofits* alone.'<sup>49</sup> Originally capital was mainly exported to economically backward countries and regions; after World

Table 1.2

Total Profits Received by the USA from  
Direct Foreign Investments, 1966-1981  
(\$ million)

Year	Industrially developed capitalist countries	Developing countries	Total
1966	1,452	1,946	3,467
1967	1,579	2,171	3,847
1968	1,657	2,430	4,152
1969	1,846	2,652	4,819
1970	2,436	2,340	4,992
1971	2,775	2,712	5,983
1972	2,911	3,079	6,416
1973	3,775	4,272	8,384
1974	4,892	6,086	11,379
1975	4,609	3,619	8,567
1976	5,217	5,763	11,127
1977	6,876	5,673	12,795
1978	7,417	6,100	13,696
1979	10,263	8,978	19,366
1980	12,247	7,465	20,133
1981	11,116	7,594	18,894

Sources: Survey of Current Business for the appropriate years.

<sup>49</sup> V. I. Lenin. Revision of the Party Programme. *Collected Works*, Vol. 26 (Progress Publishers, Moscow, 1964), p 165.

War II its export to industrially developed capitalist countries became of special importance (as noted above, in particular in Table 1.1), 'taking into account its "potential" (and not actual) profits and the further results of monopoly'.<sup>50</sup> Together with the mounting mass of profit extracted from economically backward countries, there has been a rapid growth of the amount of profits from direct investments in developed countries (see Table 1.2).

Exploitation of the working people in countries exporting capital is growing, as we said in § 1 of this chapter. The colossal profits obtained by U.S. monopolists from the export of capital are resulting not just from the relations of production between American capital and the workers of the other capitalist countries to which American capital is exported, but also from those between this capital and the workers of the USA. Once more that shows the deep community of interests of the workers of the USA and of the countries in which American capital is being invested. The very aim for which capital is exported, moreover, is foreign to the interests of all nations, including the American.

The most obvious manifestation, however, of the increase in exploitation through the export of capital is the huge payments that the 'recipient' countries (i.e. those in which the capital is placed) make to the exporters. In developing countries, for example, the owners of direct investments annually receive a sum of profits equal to a quarter or a fifth of the total of the investments. The new flow of direct investments is rather smaller than the sum of profit transferred abroad, which is also evidence of systematic exploitation of these countries through the investing of foreign capital in them (see Table 1.3). The developing countries are not recipients of resources under this most important item in the movement of capital, but net payers in favour of the industrially developed capitalist countries. During the crisis of 1981 the profits from American direct investments in developed capitalist

Table 1.3

Ratio of Direct Investment Inflow to Total  
Profits Transferred Abroad  
(aggregate figures in \$ million for 62 developing countries)

Year	Direct investments	Total profits	Year	Direct investments	Total profits
1967	1,141	4,254	1975	7,638	9,644
1971	2,400	7,192	1976	4,275	11,448
1972	1,776	6,230	1977	6,875	14,046
1973	4,060	9,374	1978	6,788	16,691
1974	-203	10,776			

Sources: International Monetary Fund. *Balance of Payments Yearbook* (IMF, Washington D. C., for the respective years); Organisation for Economic Cooperation and Development. *Development Cooperation. Efforts and Policies of the Members of the Development Assistance Committee* (OECD, Paris, for the respective years).

<sup>50</sup> V. I. Lenin. *Imperialism, the Highest Stage of Capitalism*, p 79.



countries fell compared with 1980 (\$11.2 billion and \$12.2 billion respectively), while those from developing countries rose (\$7.6 billion and \$7.5 billion respectively).

Both direct investments and loans go more readily to countries with a higher level of income, which also governs their higher profitability. In 1978-80, for example, more than 50 per cent of the direct investments were concentrated in developing countries where the gross national product exceeded \$1,000 per capita (for contrast: only 5 per cent of these investments went to less developed countries with a per capita income under \$400 a year).

The picture is even more expressive as regards loan capital: in 1978 the most developed countries of this group received two-thirds of all the loans, and the less developed ones 1 per cent (!). The picture has not altered in the years since.

Another indicator of the intensification of exploitation is the change in the policies of the main investors of private capital, viz., the transnational corporations. Direct foreign investments via TNCs still continues to be an important source of industrial financing for many developing countries. They are still the main and, moreover, traditional channel for TNCs' penetration of these countries. During the 70s the flow of direct foreign investments from developed capitalist countries to developing countries grew annually, on the average, by 15 per cent in nominal terms and by 4 per cent in real ones.

Capital flows into developing countries come mainly from industrial TNCs of the United States and Canada (50 per cent of the flow of all private funds in the 70s), Western Europe (38 per cent), and Japan (10 per cent). The share of West European countries has fallen from 50 per cent in the 60s to the 38 per cent in the 70s just mentioned, as a result of the vigorous expansion primarily of Japanese companies, which have allied themselves with American corporations. The Japanese group of TNCs is now the most dynamic group of companies penetrating the developing countries (mainly Asian). The driving force of Japan's expansion, moreover, has been the search for new markets and sources of raw materials and energy for its industry. Monopolies with the most rapacious, expansionist features are thus uppermost.

There has been a marked flow of private capital into Central America and the Caribbean (Mexico, Panama, Trinidad and Tobago, Bermuda, the Bahamas, and the Dutch Antilles) and Asia (Hongkong, India, Indonesia, South Korea, Malaysia, and Singapore) through the operations of the Americano-Japanese group. Those countries and territories were the leading areas of the operations of TNCs at the end of the 70s as regards the volume of private investments made (more than 50 per cent of all the investments in developing countries).

South America was also an important area of the operations of TNCs (up to 25 per cent of the investments in developing countries), although its importance diminished in the 70s. There was a marked fall then, as well, in the importance of Africa and the Middle East (from 20 to 15 per cent and from 10 to 4 per cent respectively). All these regions were traditionally areas of the operations of West Euro-

pean corporations. During the 70s there was thus a marked change in the composition of the transnational corporations operating in developing countries, and in the areas of their operations.

In connection with this 'innovation' in the character of TNC's economic expansion there has been a substantial change in the structure of the private funds flowing to developing countries. An important new source of private financing of developing countries emerged in the 70s in the shape of transnational banks (TNBs). The total of the loans granted through TNBs (especially in the form of Eurocurrency credits) rose to nearly \$44 billion.<sup>51</sup> The proportion of private investments of an industrial nature in the total flow of private funds consequently fell from 50 per cent in the 60s to less than a third in the 70s. In 1979 the total of loans made to developing countries was greater than the total of industrial investment. All these changes have led to further intensification of the exploiter character of TNCs' operations in developing countries.

The proportion of productive capital in the total flow of private capital has fallen, since the loans of TNBs are largely used to cover deficits in developing countries' balances of payments and their outlays on past indebtedness. The paying off of debts is now acquiring greater and greater significance in the outlays of developing countries. There has been a marked shift toward loan capital in the structure of imported capital, which means that developing countries are losing the chance to get the useful scientific and technical information, and managerial and organisational know-how that usually accompanies the export of functioning capital.

The growing proportion of loan capital is not only reducing the rates of transfer of technology, but is also (and this is very important) increasing the volume of funds being pumped out of developing countries. In 1979 they transferred around \$16 billion in profits on productive investment to developed capitalist countries; the paying off of debts and interest payments on bank loans came to \$34 billion in the same year, i.e. more than double the profits transferred.<sup>52</sup> This is all leading ultimately to an increase in the rate at which capital is being pumped out of developing countries. In 1971 they paid \$8 billion in interest on debts, and in 1980 \$75 billion.<sup>53</sup> Is that not an indication of the exploiter character of the loans, credits, and other indirect forms of the export of capital to developing countries?

The pumping of funds out of these countries takes other forms as well. The daughter firms of TNCs in them strive to use local money resources to the maximum possible extent to finance their operations

<sup>51</sup> U. N. Economic and Social Council. Commission on Transnational Corporations. *Report of the Secretariat to the Sixth Session, 23 June-4 July 1980*. Doc. E/C.10/74, 16 May 1980, p 13.

<sup>52</sup> UNCTAD. *Handbook of International Trade and Development Statistics*, Supplement 1980 (U.N., New York, 1980), pp 250-251; OECD. *Development Co-operation. Efforts and Policies of the Members of the Development Assistance Committee. 1980 Review* (OECD, Paris, 1980).

<sup>53</sup> See *U.S. News & World Report*, 1981, 91, 17:23.



and so reduce the flow of new capital from the parent companies. There has been a steady reduction, for example, since the 60s, in the proportion of funds from parent companies in the financing of affiliates of American TNCs, and a corresponding growth in the funds obtained from local loans and other sources.

The scale of the exploiter effect of the export of capital is not, however, just measured quantitatively. We have already remarked above on the attempts of state monopoly capitalism to utilise it to win over that part of monopoly capital that is not involved in foreign economic expansion and the capital of other countries, including the developing countries themselves, to the policy of the leading monopolies.

This monstrous, anti-popular 'partnership' of capital is reinforced by various means of state monopoly support. Free 'aid', the inclusion of elements of subsidy in the traditional forms of capital exports, various methods of stimulating these when the political, economic, and social conditions in the foreign country are not adequate for its 'spontaneous', 'independent' progress, may all be expressed in the concrete sums that state monopoly capitalism raises from society as a whole in order to make expansion of capital possible, in spite of the deepening general crisis of capitalism.

In order to expand capital these funds of society's are expended in a search for spheres of the most profitable investment of capital, and on the creation of favourable conditions for its investment and effective functioning abroad, the guaranteeing of the transfer of profits, and the provision of guarantee funds for the payment of compensation where necessary. The outlays from public funds of this sort are directed on a huge scale to support repressive political regimes and aggressive blocs.

Various strata of business are the payers into the funds for financing foreign expansion, but their payees, who make a quite tangible profit from their expenditure, are only those giant monopolies whose thirst for profit demands an extension of foreign expansion. And they get this profit both directly and through international redistribution.

Economic 'aid' is thus simply a means of supporting the monopolies' investments and winning them new positions. The 'price' that the various industrially developed capitalist countries pay is mixed. It is not, of course, exhausted by the sums listed in Table 1.4, since there is still military 'aid' as well as economic, and other means of securing the international interests of their monopolies.

In placing capital abroad so as systematically to appropriate the surplus value produced by the workers of foreign countries, the monopolies thereby exploit the workers of their own countries, and to some extent force other sections of the population at home and abroad to pay for the overseas expansion of capital. As nowhere else, there is now a growing contradiction in the field of capital exports between the top monopoly business and the rest of society in capitalist countries.

The circumstance mentioned above, we should note, has sometimes led to confusion of the concepts 'export of capital' and 'international movement of capital'; the second in fact includes the total of capital

Table 1.4

Scale of Economic 'Aid' to Developing Countries, 1980  
(\$ million, and percentage of the national product  
of the countries rendering 'aid')

Country	Absolute sums	Percentage	Country	Absolute sums	Percentage
USA	7,091	0.27	Italy	678	0.17
France	4,041	0.62	Australia	657	0.48
West Germany	3,518	0.43	Belgium	575	0.48
Japan	3,304	0.32	Norway	473	0.82
Great Britain	1,785	0.34	Denmark	464	0.72
The Netherlands	1,577	0.99	Switzerland	246	0.24
Canada	1,036	0.42	Austria	174	0.23
Sweden	923	0.76			

Source: OECD figures cited in *U.S. News & World Report*, 1981, 91, 17: 23 (Economic Aid to Poor Nations—Who Gives What).

exports, productive and loan, and expenditure on maintenance of an appropriate military-political and economic climate abroad, so that capital can be placed there on an ever-growing scale, function there, and be in a position to return its 'product' (profits) to the parent companies or lenders.

This confusion is often employed by apologists for capital since it helps them to claim that there is a growing 'understanding' of the problems of other countries by the major imperialist powers, and that the amounts being spent on the needs of international development are increasing. But this is nothing else but capital pursuing expansion of the major international corporations. At bottom the artificial comparison of the increased amounts allegedly invested abroad with the scale of the profits obtained as evidence even of a reduction in the degree of exploitation contradicts reality.

It is to the point, in that connection, to recall an extract made by Lenin when he was working on *Imperialism, the Highest Stage of Capitalism*.

The balance-sheets of many joint-stock companies remind us of the palimpsests of the Middle Ages from which the visible inscription had first to be erased in order to discover beneath it another inscription giving the real meaning of the document.<sup>54</sup>

One has to do the same in regard to the calculation of profit.

The comparisons made above showed, for example, that every new dollar of direct investment was matched by \$3 or \$4 of profits coming from abroad. A 'broader' approach to the calculation substantially alters the picture. If we take the financial transfers of both parties, the

<sup>54</sup> Copied by Lenin into his Notebooks on Imperialism (*Op. cit.*, p 83) from Ludwig Eschwege. Tochtergesellschaften. *Die Bank*, 1914, I. Semester, p 545.



developing countries, which have to transfer \$66 billion abroad in the form of dividends, profits, and depreciation allowances, get \$83 billion from abroad in the form of government capital, direct investments, private export credits, portfolio investments, and bank loans—quite a different ratio! It is even further altered, and appears even more attractive to the apologists of capital, when account is taken of the 'aid' that ultimately goes mainly into the coffers of the monopolies but is outwardly represented as assistance. In that connection we would again recall the justice of Lenin's evaluation of bourgeois researchers.

Taken as a whole [he said], the professors of economics are nothing but learned salesmen of the capitalist class ... *not a single* professor of political economy ... can be trusted *one iota* when it comes to the general theory of political economy.<sup>55</sup>

The export of capital is precisely one of these topics of political economy.

Study of the trends in the development of capital exports has now become of great importance, because it involves, on the one hand, the whole system of state monopoly capitalism and, on the other hand, includes certain new phenomena in the capitalist world that require study, as the 26th Congress of the CPSU pointed out.

### §3. Export of capital, the material foundation of U.S. monopolies' global pretensions

Study of capital exports from the USA, the biggest country of the capitalist world, has become specially important. The United States holds first place as regards size of capital exports. Nearly half of all the direct private investments of the capitalist world are American. The USA surpasses all the countries of Western Europe taken together in total investments. The main transnational corporations are American, so that first place in the total of capital placed is further reinforced by production and technological dependence. It is not surprising that American capital abroad is sometimes even called 'the second industrial power of the capitalist world', since it exceeds that of any capitalist country, except the USA itself, in output of goods and services.

All the features of the modern export of capital that we mentioned above correspondingly relate above all to American foreign economic expansion, namely:

- (I) unprecedented growth of state monopoly capitalism, and increase in its global claims;
- (II) extension of aggressiveness in foreign economic activity, and strengthening of the link with military-industrial TNCs;
- (III) growth of influence on foreign policy, and its increasing subordination to serving the interests of the top people of monopoly business;

<sup>55</sup> V. I. Lenin. *Materialism and Empirio-Criticism* (Progress Publishers, Moscow, 1973), p. 331.

- (IV) unprecedented development of the mechanism of exploitation in the export of capital, and attempts to subordinate the interests of various countries to the political, economic, and social aims of the expansion of American capital.

The most reactionary features of the international policy of modern imperialism and subordination to the interests of the military-industrial complex are inherent in the American export of capital. American imperialism could not lay claim to the role of world gendarme if it did not have the billions of capital placed abroad at its disposal.

American capital did not achieve these positions at one fell swoop.<sup>56</sup> As already mentioned, it began to hatch in the last third of the nineteenth century, owing to the rapid development of capitalism in the USA, Germany, and Japan, as well as in Great Britain and France. Assimilation of the home territory had been completed in the main in all the chief capitalist countries. The process of concentration and centralisation of capital had led at the same time to the formation of monopolistic alliances and the rise of a huge 'plethora' of capital in those countries, which was directed abroad, primarily to economically backward countries.<sup>57</sup> While export of capital had been a unique phenomenon before then, and Britain and France had in fact been the sole exporters of capital, there was a 'turn' at the end of the century because of the features of the development of capitalism mentioned above. There was a rapid growth of exports of capital, many developed capitalist countries already becoming exporters.

In the first decade of the twentieth century Britain was the No. 1 exporter, followed by France, and then by the USA, Germany, the Netherlands, Belgium, Italy, and Japan. At the end of the 20s the USA had moved into first place, relegating Britain to second place (if the war loans are excluded, Britain was in first place, and the USA in second), France to third, followed by the Netherlands, Switzerland, and Germany.

In the second half of the 30s Britain had again gone ahead, relegating the USA to second place. The Netherlands was in third place and France only fourth. Then followed Switzerland and Belgium. The powers of the fascist 'axis'—Germany, Italy, and Japan—were increasing their foreign investments.

In the second half of the 40s there was a new shuffling of places among the international investors. The USA forged ahead, overtaking Britain. Canada was in third place, the Netherlands in fourth, and France now fifth. Defeated Germany, Italy, and Japan had lost the greater part of their overseas investments and were dislodged as rivals of the other exporters of capital.

The second half of the 50s had the following order of places: the USA, Britain, France, Canada, Switzerland, West Germany, Belgium, the Netherlands, and Italy.

<sup>56</sup> See E. P. Pletnev. *The World Economy in the Mirror of Diplomacy*. In E. P. Pletnev (Ed.), *Diplomatiya i mirovoye khozyaystvo* (Diplomacy and the World Economy), Mezhdunarodniye Otnosheniya, Moscow 1966, p. 17.

<sup>57</sup> See V. I. Lenin. *Imperialism, the Highest Stage of Capitalism*, p. 60.



A decade later, in the second half of the 60s, the USA still retained first place, Britain second place, and France third; West Germany had broken through to fourth place (which it was helped to do through lifting, in 1952, of the ban on export of capital imposed on it after the war).

In the second half of the 70s the list of foreign investors continued to be headed by the USA, followed by Britain, West Germany, Switzerland, Japan, and the Netherlands, with France in only seventh place, followed by Canada, Sweden, etc. At present the USA's rivals are restricting her position though American capital continues to grow rapidly abroad in absolute terms. American direct investments abroad, for example, more than quadrupled between 1967 and 1981, from \$50.4 billion to \$227.3 billion, but relative to the other capitalist countries her share fell, to under 50 per cent in 1981. Countries like West Germany and Switzerland increased their share (West Germany from 2.6 per cent in 1967 to approximately 10 per cent by the 80s, and Switzerland from 3.3 per cent to 7.5 per cent). During the 70s the weight of Britain rose from 12.5 per cent to 15 per cent; and that of Canada, France, and Japan to 6 per cent.

The U.S. monopolies are trying to compensate for this deterioration of their position by more active use of means of political pressure, military blackmail, and subordination of rivals.

The book market of the USA is annually flooded with literature on problems of economics, history, philosophy, and foreign policy. In it a leading place is given to the problem of U.S. economic relations with other countries and the history of these relations. The fat works of bourgeois economists and historians invariably repeat claims that have nothing in common with reality, viz., that U.S. economic relations with other countries are based on a desire to develop equitable co-operation, and render them 'aid' in their economic development, and not on the selfish calculations of the bigwigs of U.S. finance capital.

Historical facts and data are grossly distorted to that end. The facts about relations between the USA and China in the nineteenth century, for example, are falsified. The expansionist policy of American capitalism toward China is presented as an unselfish policy allegedly corresponding to the interests of the Chinese people.

The same may be said about the light shed on the history of relations, especially economic ones, between the USA and other countries in Asia, and of U.S. relations with the countries of Latin America and Africa. The facts of crude expansion and direct aggression by the USA against a number of countries and territories in the past (the Philippines, Cuba, Mexico, the Hawaiian Islands, etc.) are depicted as measures dictated by concern for their populations. The 'historical mission' of American capitalism is praised to the skies in every key, while its real strivings in relation to other nations, and its methods of *diktat* and blackmail are glossed over or hushed up. False slogans of various kinds are widely employed to that end: be it, for example, the assurances of the Carter and Reagan Administrations about their devotion

to defence of 'human rights' or the Reagan Administration's demands for a guarantee of a 'universal favourable investment climate'.

All that is done so as to trace a link between the practice of American capital's infiltration of the economies of other countries in the past and its broad foreign economic expansion today, both being presented in a false light.

For understandable reasons, ideologists pay particular attention to U.S. overseas economic expansion in the period since World War II, depicting the export of capital in the form of direct investments as aid to the countries whose economies are being penetrated deeper and deeper by U.S. capital. The billions of profit that American monopolies get as a result are depicted as their remuneration for 'services' rendered.

The export of capital in the form of loans, credits, 'gifts', subsidies, etc., granted by way of rendering economic, technical, and military 'aid', and made mainly, in recent years, through government channels, is depicted as 'aid' aimed at strengthening these countries' 'defence capacity', though they, of course, are threatened by no one, if one leaves out of account the danger of their enthrallment by American capital.

It is indicative that \$50 billion of the \$130 billion directed abroad as U.S. economic 'aid' in the past three decades have been made in the past ten years. The trend is very distinct! The bulk, moreover, goes to a very small number of countries. Military 'aid' has attained vast dimensions, as will be seen from Table 1.5, it is closely linked with Washington's military-strategic aims, especially in such areas as the Mediterranean, the Middle East, and South and Southeast Asia.

Table 1.5

The Biggest Recipients of U.S. Economic and Military 'Aid', 1981  
(\$ million)

Recipients of most economic 'aid'		Recipients of most military 'aid'		Recipients of most economic 'aid'		Recipients of most military 'aid'	
Country	Amount	Country	Amount	Country	Amount	Country	Amount
Egypt	1,189	Israel	1,400	Indonesia	128	Philippines	76
Israel	785	Egypt	551	Sudan	105	Portugal	53
India	244	Turkey	252	Philippines	92	Thailand	51
Turkey	200	Greece	177	Peru	81	Jordan	43
Bangladesh	155	Spain	126				

Source: data of the U.S. International Development Agency reported in *U.S. News & World Report*, 1981, 91, 17: 22.

The expansionist drive of U.S. monopoly capital, and its claims to dominance in whole regions, are being manifested more and more distinctly and, at the same time, also, its forced admission of the limited character of the possibilities of implementing that policy. A recent



study by American authors *The United States in the 1980s* recognised, for example, that the USA is coming up against 'definite limitations' in pursuit of its expansionist course abroad which is called in the book 'the exercise of responsible power'<sup>58</sup> overseas. While noting that 'foreign aid cannot by itself cure poverty' (though it does not pursue such an aim!), and that 'modernization cannot be achieved quickly', the director of the Hoover Institution, W. Glenn Campbell, wrote:

It has been recognized that the United States cannot export democracy [!—A.A.G.] to the rest of the world [!—A.A.G.]. Since Vietnam the limits of the nation's ability to influence world events in a constructive manner have become clearly evident.<sup>59</sup>

Pining for the times when the USA thought she had the right to demand submission from all countries, the authors clearly regret that the direct use of weapons (as in Vietnam) also does not yield the desired effect.

American capitalists and their ideologists quite understand that the future balance of class forces in the world very much depends on what social road the young states take. In order to achieve a stable compromise with their national bourgeoisie the USA is prepared to bear additional expenses. This is dictated as well by the drive to broaden trade expansion in developing countries, and by a heavy dependence on imports of oil.

The main stake in achieving such an eventual compromise is placed on a gradual 'bourgeoisifying' of developing countries, but no small role is also assigned to encouraging this process from outside, especially by U.S. state monopoly capitalism. 'The development of capitalism in the young countries,' Lenin wrote, 'is greatly *accelerated* by the example and the aid of the old countries.'<sup>60</sup> Diplomatic experts recommend a peculiar variant of 'building bridges' to those developing countries that allegedly have a growing community of interests with developed capitalist countries on many of the problems of the modern economy.

The more closely these lines of the expansion of American capital are linked with the country's foreign policy course, the more painstakingly the American ruling circles try to mask the link. That is understandable, since the aim pursued is to deceive peoples, and above all the American people, about the real essence of implementing the policy 'from positions of strength' that they are trying to make the basis of relations with the Soviet Union, and the socialist countries as a whole. These circles are imposing their arms race policy on a number of countries dependent on them, employing their raw material and other resources to carry out their global military-strategic plans. Any financial 'aid' to certain countries in Europe, Asia, Latin America, and Africa, not to mention direct military 'aid', is inevitably accompanied with saddling them with dictated conditions in respect of deliveries of strategic raw materials to the United States, the building of American military bases on their territory, and their involvement in aggressive

<sup>58</sup> See Peter Duignan, Alvin Rabushka (Eds.). *The United States in the 1980s* (Hoover Institution Press, Stanford, Cal., 1980), p. vii.

<sup>59</sup> *Ibid.*, p. vi.

<sup>60</sup> V. I. Lenin. *The Development of Capitalism in Russia* (Progress Publishers, Moscow, 1977), p. 495.

military groupings of various kinds, operating under the aegis of the United States.

Proof of the expansionist aspirations of the American monopolies, and their hegemonistic claims on the natural and human resources of other countries, is the economic programme of the present Administration. While claiming that it wants to achieve 'harmony of interests', it is in fact casting aside the very possibility of creating a political plan that would meet the interests of all countries as regards supplies of raw materials, resources, etc., and is explaining it, moreover, by 'existing' institutional measures and 'structural relations',<sup>61</sup> i.e. the socio-economic system and existing commercial and economic, and political links of the separate countries on which U.S. monopoly capital is encroaching.

The reactionary essence of the export of capital is clearly manifested in the policy of the most reactionary circles of monopoly capital aimed at 'eroding' the unity of the world socialist community.

A striking example of this is their provocative course in relation to Poland, and their attempts to profit from the mistakes in economic and social policy made by that country in the past. It confirms that capitalists exploit any possibility to promote their narrow class interests.

Analysis of the facts relating to U.S. foreign economic expansion shows first and foremost that American monopoly capital was and remains, at bottom, an enemy of the independence and sovereignty of other countries and peoples, which it considers an object of exploitation and plunder.

It is clear, furthermore, from this analysis that the contemporary forms and scale of the overseas expansion of U.S. capital are evidence of an intensification of the parasitism of the capitalist system in general, and of American capitalism in particular. The deepening of the general crisis of capitalism is exacerbating the contradictions of modern capitalist production, and the whole system of international relations of the capitalist world economy, as never before.

The apologists of capitalism are specially angered by the fact that some American businessmen are looking for ways to co-operate with socialist countries, and expressing a readiness to establish and develop various model forms of economic and scientific and technical links with the world of socialism. In spite of the American Administration's countermeasures, many West European countries are convinced of the salutary character of detente for the development of co-operation on a stable, mutually beneficial foundation.

The Soviet Union's West European partners do not follow the lead of U.S. aggressive circles in many respects. Business circles in Western Europe, moreover, have repeatedly taken their own initiative to further an extension of economic co-operation with the Soviet Union. Even those who swallowed the American bait have been forced since to recognise that sanctions did not work against the Soviet Union. The

<sup>61</sup> *Economic Report of the President Transmitted to the Congress, January 1981* (U.S. Govt. Printing Office, Washington, D.C., 1981), p. 195.



discriminatory policy of the present U.S. Administration, aimed at disrupting economic co-operation of countries with different social systems, is doomed to inevitable failure.

It is not out of place to recall Lenin's words apropos problems of the development of Soviet Russia's co-operation with the West in the first years after the October Revolution. He posed the matter as follows: Why are they acting against their own inclinations and in contradiction to what they are constantly asserting in their press?... They call us criminals, and all the same they help us.<sup>62</sup>

And he drew the following very important conclusion:

It turns out ... that our calculations, made on a grand scale, are more correct than theirs... We see that their forecast of economic development was wrong and ours was right. We have made a start, and we must now exert all our efforts to continue this development without interruption. We must make it our primary concern, giving it all our attention.<sup>63</sup>

Today's conditions are different, of course, from those of 60 years ago, although now, too, reaction is ready, as we know, to write off all its failures at the expense of the Soviet Union and its policy. But broad strata of the public and business circles in developed capitalist countries, especially in Western Europe, now have a better idea of the possibilities of developing relations with the Soviet Union. They have before them the solid experience already gathered.

As Yuri Andropov said in his speech at the November (1982) Plenum of the Central Committee of the CPSU:

From the early days of Soviet rule, our state has invariably voiced its willingness for open, honest co-operation with all countries which respond with reciprocity. Differences in social systems should not hinder this—and they do not where there is goodwill on both sides.<sup>64</sup>

\* \* \*

The aggravation of the contradictions of modern capitalism is being reflected both in an intensification of the parasitic character of capitalism, which is switching an ever greater part of the wealth created by the working people to unproductive ends (the arms race, military adventures), and in a sharpening of the contradictions between the separate imperialist countries and monopolistic associations in the struggle for markets, spheres of application of capital, and ever greater profits.

<sup>62</sup> V. I. Lenin. Ninth All-Russia Congress of Soviets. December 23-28, 1921. *Collected Works*, Vol. 33, pp 153-154.

<sup>63</sup> *Ibid.*, p 154.

<sup>64</sup> Yuri Andropov. *Our Aim Is to Preserve Peace* (Novosti Press Agency Publishing House, Moscow, 1983), p 7.

## U.S. FOREIGN ECONOMIC EXPANSION BEFORE WORLD WAR I AND THE ROLE OF CAPITAL EXPORTS

### §1. American expansion before World War I

As with the other big capitalist countries the nineteenth century was one of hectic economic development for the United States of America. The discoveries and inventions of the eighteenth century, and the industrial revolution in Great Britain, gave a powerful impulse to the spread of the new technical advances in industry, navigation, and other fields of economic activity of many countries. As Karl Marx wrote in *Capital*:

Modern Industry had therefore itself to take in hand the machine, its characteristic instrument of production, and to construct machines by machines. It was not till it did this, that it built up for itself a fitting technical foundation, and stood on its own feet. Machinery, simultaneously with the increasing use of it, in the first decades of this century, appropriated, by degrees, the fabrication of machines proper.<sup>1</sup>

The development of commerce and economic ties between countries that followed the Napoleonic wars, which were accompanied with a blockade of Continental Europe and disruption of the ties previously existing among countries, could not help affecting the New World. The latest technical improvements and inventions of the time were gradually introduced into U.S. industry, which often found broader application on the American continent than in Europe.

Hence, [Marx wrote], the invention now-a-days of machines in England that are employed only in North America.<sup>2</sup>

And as if answering future apologists for 'American exceptionalness', he noted that this had happened before:

just as in the sixteenth and seventeenth centuries, machines were invented in Germany to be used only in Holland, and just as many a French invention of the eighteenth century was exploited in England alone.<sup>3</sup>

He gave the following economic explanation of this paradox:

In the older countries, machinery, when employed in some branches of industry, creates such a redundancy of labour in other branches that in these latter the fall of wages below the value of labour-power impedes the use of machinery, and, from the standpoint of the capitalist, whose profit comes, not from a diminution of the labour employed, but of the labour paid for, renders that use superfluous and often impossible.<sup>4</sup>

For the USA it was a period when colonisation was still taking place, i.e. the settlement and economic development of the vast central and especially western areas between the Mississippi and the Pacific Coast with all the consequences stemming from that for the labour and capital

<sup>1</sup> Karl Marx. *Capital*, Vol. I (Progress Publishers, Moscow, 1974), p 363.

<sup>2</sup> *Ibid.*, p 371.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*



markets. Walter Lippmann, one of the propagandist pillars of the USA, noted, when characterising the continuity of the aggressive methods employed by American imperialism since the colonial seizures of the period of the establishment of the United States:

Before examining our foreign or external commitments, it will, however, be useful to remind ourselves briefly that most of what is now the American continental homeland was once foreign territory, and that it became United States territory as a result of diplomacy and war.<sup>5</sup>

As for the class essence of what happened, one can cite the words of a leading figure of the communist and labour movement of the USA, William Z. Foster, as an appraisal:

The hundred and forty years between the War for Independence and World War I formed an unparalleled era of capitalist grabbing, robbery, and exploitation in the United States. The world had never before seen the like. The capitalists were like ravenous wolves, seizing and taking for their own the vast bulk of the country and its splendid resources.<sup>6</sup>

To get an idea of the changes in the U.S. economy and, in fact, of the USA's position as an imperialist power (which it became at the end of the nineteenth century and the beginning of the twentieth), let us recall the main indices of the state of the American economy then. While there had been 123,000 enterprises in the USA by 1850 (mainly small, simple ones and building firms), employing 957,000 workers, there were already 252,000 enterprises by 1870 with 2,053,000 workers, 355,000 firms by 1890 with 4,251,000 workers, and 512,000 by 1900 with a total of 5,306,000 workers.<sup>7</sup> The growth in numbers of firms apart, there was an increase in the average number of wage-earners employed per enterprise.

The most important industries developed particularly rapidly, viz., coal mining, iron and steel, textiles, etc., and also the building of railways. Coal mining had quadrupled its output in 1880 compared with 1860, to 63,800,000 long tonnes. In 1890 it was already 141 million long tonnes, and had risen in 1900 to 240 million tonnes. There was a rapid growth of output of iron and steel in the same period. The smelting of steel was as follows: none in 1860; 69,000 long tonnes in 1870; 1,247,000 long tonnes in 1880, 4,277,000 in 1890, and 10,188,000 long tonnes in 1900. Pig iron was produced as follows: 821,000 long tonnes in 1860, 1,665,000 long tonnes in 1870, 3,835,000 long tonnes in 1880, and 9,203,000 long tonnes in 1890; in 1900 it reached 13,789,000 long tonnes.<sup>8</sup> Output of oil, which was beginning to play a bigger and bigger role each year, was 64 million barrels in 1900 against 2,000 in 1859.

By the end of the nineteenth century the United States of America had overtaken Great Britain and other countries in volume of production. U.S. output was valued at \$9,498 million in 1894, that of Britain

at \$4,263 million, of Germany at \$3,357 million, and of France at \$2,900 million. The value of U.S. manufactures had increased roughly seven times over by that time, compared with 1860.

This rapid growth of U.S. industry, and of American capitalism as a whole, was due to a number of favourable conditions. There was a vast amount of free land, and an absence of survivals of feudalism, which facilitated economic development. The development of capitalist relations thus did not encounter serious restricting factors in the USA, in contrast to many European countries with strong survivals of feudal relations and landed proprietorship. Capitalist industry grew rapidly, the concentration of production increased, and the formation of monopolies began.

In 1904 there were 1900 very big firms in the USA with a production worth \$1 million or more (out of 216,180, or 0.9 per cent), which employed 1,400,000 workers (out of 5,500,000, or 25.6 per cent) and had a total production of \$5.6 billion (out of \$14.8 billion, or 38 per cent). Five years later, in 1909, the corresponding figures were: 3,060 firms (out of 264,491; 1.1 per cent); two million workers (out of 6,600,000; 30.5 per cent); \$9 billion of production (out of \$20.7 billion; 40.8 per cent).<sup>9</sup> Lenin made the following important comment in connection with these figures:

Almost half the total production of all the enterprises of the country was carried on by *one-hundredth part* of these enterprises! These 3,000 giant enterprises embrace 258 branches of industry. From this it can be seen that, at a certain stage of its development, concentration itself, as it were, leads straight to monopoly.<sup>10</sup>

Lenin called this transformation of competition into monopoly 'one of the most important—if not the most important—phenomena of modern capitalist economy'.<sup>11</sup>

In his *Notebooks on Imperialism* Lenin made extracts from Paul Tafel's book *The North American Trusts and Their Impact on Technical Progress*.<sup>12</sup> He made a note that trusts began to form about the 1880s.

Examples from various industries indicate what great significance was attached to the technical equipping of production. The shareholders of the Leather Trust, for example, blamed their board of directors for its doing badly, because it had neglected the technical equipment of the tanneries. At the same time the technical policy of the Harvester Trust was praised because it spared no expense on equipment, which enabled it 'to reduce production costs and thereby raise competitive power'.<sup>13</sup> The Tobacco Trust had gone furthest, having 'devoted all its efforts to the universal substitution of mechanical for manual labour'.

<sup>5</sup> Walter Lippmann. *U.S. Foreign Policy: Shield of the Republic* (Little, Brown & Co., Boston, Mass., 1943), p. 12.

<sup>6</sup> William Z. Foster. *Outline Political History of the Americas* (International Publishers, New York, 1951), p. 232.

<sup>7</sup> *The World Almanac and Book of Facts* (The World, New York, 1930), p. 345.

<sup>8</sup> See E. Varga et al. (Eds.). *Mirovye ekonomicheskiye krizisy* (World Economic Crises), Vol. 1 (OGIZ, Moscow, 1937), p. 496.

<sup>9</sup> *Statistical Abstract of the United States, 1912* (U.S. Govt. Printing Office, Washington, D. C., 1912), p. 202.

<sup>10</sup> V. I. Lenin. *Imperialism, the Highest Stage of Capitalism* (Progress Publishers, Moscow, 1982), p. 17.

<sup>11</sup> *Ibid.*

<sup>12</sup> Paul Tafel. *Die Nordamerikanischen Trusts und ihre Wirkungen auf den Fortschritt der Technik* (Wittwer, Stuttgart, 1913).

<sup>13</sup> Cited by Tafel from *Kartellrundschaу*, 1910, p. 902. See Lenin's *Notebooks on Imperialism. Collected Works*, Vol. 39, p. 113.



With this end in view it has bought up all patents that have anything to do with the manufacture of tobacco and has spent enormous sums for this purpose.<sup>14</sup>

Lenin noted in his conspectus that other trusts (besides those named) actively stimulated technical progress, in particular by employing engineers to develop technique.

He gave a profound, exact explanation of this policy.

Besides competition, the bad financial circumstances of the majority of trusts (owing to *over-capitalisation* (N.B.)) are a stimulus to technical progress.<sup>15</sup>

As an example he adduced facts about the vast speculative watering of stock. The Steel Trust, with a capital around \$1 billion, which constituted 'one-seventh of the total national property', had issued three new shares for each old one. 'Interest has to be "earned" on this *triple capital!!!*,'<sup>16</sup> he exclaimed, and cited another example. The capital of the railways was \$13.8 billion of which 'about 8,000 million is fictitious capital!'.<sup>17</sup>

The rapid growth of industry in the USA went hand in hand with its just as rapid concentration, especially at the end of the nineteenth century. According to the U.S. Census of 1900, the 185 trusts that had arisen in the last years of the century concentrated \$3 billion of capital in their hands and controlled a third of the country's production resources.<sup>18</sup> According to facts cited by the American economist Ernest Bogart, and others given in *The World Almanac* for 1928,<sup>19</sup> the average capital invested in a steelworks rose by a factor of  $4\frac{1}{2}$  over the 50 years between 1850 and 1900, outstripping the growth in number of enterprises, average number of workers per plant, and average value of output. In 1907 the number of trusts had risen to 250, and their capital to \$7 billion.<sup>20</sup>

The building of railways, which arose one after the other, was closely connected with the rapid growth of industry, especially of the steel industry. Railway construction presented an ever-growing market for steel and so created an additional stimulus for growth of the steel industry. The growth of industry in turn inevitably made increasing demands on railway transport, as the need arose to carry increasing freights.

In Lenin's opinion, the railways, moreover, were in a state of disorder; one authority called them 'anarchic, uneconomic, cumbersome,

unscientific, unworthy of the genius of the American people'.<sup>21</sup> Remark- ing that 'the technical condition of the American railways has *deterio- rated*; they lag behind Europe', he noted that freight rates had risen.<sup>22</sup> That, of course, promoted further enrichment of the railway monopolies and provided the conditions for subsequent technical re-equipping of the railways.

The period of hectic development of the U.S. economy brought many American industrialists and bankers huge profits. The biggest tycoons, like the banker J.P. Morgan, the oil king John D. Rockefeller, the railway king Cornelius Vanderbilt and Andrew Carnegie, the steel king, made tens of millions of dollars. William Z. Foster aptly called it 'an orgy of "free enterprise"',<sup>23</sup> and cited the following appraisal of its class essence:

A huge barbecue was spread to which all presumably were invited. Not quite all, to be sure; inconspicuous persons, those who were at home on the farm or at work in the mills and offices, were overlooked; a good many indeed out of the total number of the American people. But all the important persons, leading bankers and industrialists, received invitations. There wasn't room for everybody and these were presumed to represent the whole. It was a splen- did feast.<sup>24</sup>

The following extract from the work of Eugen von Philippovich in Lenin's *Notebooks on Imperialism* is notable as a description of the monopolisation of the U.S. economy at that time:

In the United States (1912)—1 8 0 owners or presidents of firms (18 banks) held 7 4 6 directorships in 1 3 4 corporations with a total capital of 25,325 mil- lion dollars [Lenin's emphasis]... 'This could be a third of the American na- tional wealth.'<sup>25</sup>

When we speak of the U.S. economy of that period, we need to stress that it was already developing then in a situation of acute contradictions in which the immanent laws of the capitalist mode of production were manifested. The increasing growth rates of industry, which were par- ticularly accelerating at the end of the century, could not help leading to periodic economic crises (and did), which were acquiring an increas- ingly acute character. The crises inevitably caused unemployment, a sharpening of class antagonisms, and intensification of class struggle. The whole burden of the crises fell on America's working people.

Introduction of the sweating system and various means of restricting the workers' right to resist mounting exploitation intensified their oppression. Their position was also aggravated by the competition of the cheap labour of immigrants, whose influx from Europe and other parts of the world was increasing annually.

<sup>21</sup> Cited by Tafel. *Op. cit.*, p 63. See Lenin's *Notebooks on Imperialism. Op. cit.*, p 115.

<sup>22</sup> Cited by Lenin from Paul Tafel. *Op. cit.*, pp 62-63 (*Notebooks on Imperi- alism. Op. cit.*, p 115).

<sup>23</sup> W. Z. Foster. *Outline Political History of the Americas*, p 233.

<sup>24</sup> Cited from V. L. Parrington. *Main Currents in American Thought*, Vol. 3 (Harcourt, Brace & Co., New York, 1930), p 23 in W. Z. Foster. *Op. cit.*, pp 232-233.

<sup>25</sup> Lenin's notes from Eugen von Philippovich. *Monopole und Monopolpolitik. Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 1916, 6: 154-174 in *Notebooks on Imperialism, Op. cit.*, p 752.

<sup>14</sup> Cited by Tafel from *Report of the Commissioner of Corporations on the Tobacco Industry* (U.S. Govt. Printing Office, Washington, D. C., 1909), p 266. See V. I. Lenin. *Op. cit.*, p 114.

<sup>15</sup> V. I. Lenin. *Notebooks on Imperialism. Op. cit.*, p 114.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

<sup>18</sup> Louis M. Hacker and Benjamin B. Kendrick. *The United States Since 1865* (F.S. Crofts & Co., New York, 1933), p 280.

<sup>19</sup> *The World Almanac and Book of Facts*, 1928.

<sup>20</sup> Cited by Tafel. *Op. cit.*, p 1, from R. Liefmann. *Kartelle und Trusts...* (Verlag von E. H. Moritz, Stuttgart, 1910), pp 117-118. See Lenin's *Notebooks on Imperi- alism. Op. cit.*, p 113.



Furthermore, whereas American workers thrown out of production during crises had been used to 'seek their fortune' in the western areas (for example, in the first half and middle of the century), especially in California (drawn by its goldfields and legends of easy money), now that drain had lost its significance. As the 'colonisation' of California proceeded it lost its attractive force. Individual slick businessmen got great wealth there, but it no longer promised people who had lost their jobs anything more than what they could expect in New York, Pennsylvania, Ohio, or other industrial cities and states in the east of the country.

At the end of the century, especially in the 80s and 90s, the USA was a country of developed capitalism with a huge concentration of capital in the hands of trusts and syndicates. The time was already past when America attracted idealistic reformers from Europe like Robert Owen, who was trying to find a practical realisation of his utopian projects of social reconstruction overseas. The easy-money seekers in the Californian goldfields, like the seekers after 'social justice' in the land of Washington and Lincoln, each in his own way came up against the harsh reality of capitalism in the New World. Before them opened up a land of unparalleled social contrasts, a land of unemployment and poverty of millions of people, a land of smart adventurers who were getting their hands on immense wealth compared with which the treasures of the oldest ruling dynasties of Europe seemed babies' baubles; it was a country with millions upon millions of white and black slaves. The USA had ceased to be 'the promised land'.

Karl Marx wrote as follows in *Capital* about the methods by which the American capitalists got their wealth:

The lengthening of the working-day, which capital, from the middle of the 14th century to the end of the 17th century, tries to impose by State-measures on adult labourers, approximately coincides with the shortening of the working-day, which, in the second half of the 19th century, has here and there been effected by the State to prevent the coining of children's blood into capital. That which today, e.g., in the State of Massachusetts, until recently the freest State of the North-American Republic, has been proclaimed as the statutory limit of the labour of children under 12, was in England, even in the middle of the 17th century, the normal working-day of able-bodied artisans, robust labourers, athletic blacksmiths.<sup>26</sup>

<sup>26</sup> Karl Marx. *Op. cit.*, p 258. In a footnote to this passage Marx gave the following citations from the statutes of various states: 'No child under the 12 years of age shall be employed in any manufacturing establishment more than 10 hours in one day.' General Statutes of Massachusetts, 63, Ch. 12. (The various Statutes were passed between 1836 and 1858.) 'Labour performed during a period of 10 hours on any day in all cotton, woollen, silk, paper, glass, and flax factories, or in manufacturing of iron and brass, shall be considered a legal day's labour. And be it enacted, that hereafter no minor engaged in any factory shall be holden or required to work more than 10 hours in any day, or 60 hours in any week; and that hereafter no minor shall be admitted as a worker under the age of 10 years in any factory within this State.' State of New Jersey. An Act to limit the hours of labour, § 1 and 2. (Law of 18th March, 1851). 'No minor who has attained the age of 12 years, and is under the age of 15 years, shall be employed in any manufacturing establishment more than 11 hours in any one day, nor before 5 o'clock in the morning, nor after 7.30 in the evening.' (Revised Statutes of the State of Rhode Island, Ch. 139, § 23, 1st July, 1857.) Those monstrous laws, hypocritically proclaiming concern for minors, in fact sanctioned broad, rapacious application of child labour.

The 'coining of children's blood into capital', as Marx precisely described the inhuman essence of capitalism in general, was characteristic in particular of North American capitalism. It was the capital accumulated by such methods that was subsequently poured abroad for the further enrichment of the American capitalist class and the new millionaires and billionaires emerging from ruthless exploitation of the working people.

A hard life awaited the hundreds of thousands and millions of people who emigrated to America from Europe and other countries to save themselves from land hunger, want, and police persecution. In their study of American imperialism Scott Nearing and Joseph Freeman aptly called this emigration 'human contributions', contributions for which the United States paid nobody anything.

Between 1870 and 1900, 10.7 millions of immigrants came to the United States from Europe... These immigrants, mostly adults, were raised and trained at European expense, and then, in the prime of life, they came to the United States and spent their energies in building American industry.<sup>27</sup>

Karl Marx, when analysing the rapid development of capitalism in the USA, and the consequences that flowed from it for the working people, wrote:

The people will try in vain to get rid of the monopolising power and the (as far as the *immediate happiness* of the masses is concerned) baneful influence of the great companies swaying industry, commerce, property in land, railroads, finance—at an always accelerated rate since the outbreak of the Civil War.<sup>27a</sup>

The rapid growth of industry, transport, and agriculture attracted foreign capital to the USA. The high profits in industry, and the revenues (unheard-of at that time) from investment in the building and running of railways, led to the shares of firms and companies that owned land adjoining the main trunk-lines swelling prodigiously. As W. Z. Foster aptly put it:

The capitalists fought among themselves like famished tigers over their rich prey—the industries and resources and people of the United States. They ruthlessly stole railroads from one another, they recklessly set armed gangs at destroying each other's oil plants; they flooded the public with watered stock; they bought and sold legislators 'like fish in a barrel'.<sup>28</sup>

The rapacious methods of enrichment evoked a flood of tearful admonitions from certain middle class authors, and reproaches to those who employed 'impermissible' methods and broke the rules of 'honest competition'.

Ridiculing those who considered this practice 'shocking' Lenin wrote in *Imperialism, the Highest Stage of Capitalism*:

'American ethics', which the European professors and well-meaning bourgeois so hypocritically deplore, have, in the age of finance capital, become the ethics of literally every large city in any country.<sup>29</sup>

Huge profits were made by the founders of any kind of company, in particular those for building transcontinental railways, which brought

<sup>27</sup> Scott Nearing and Joseph Freeman. *Dollar Diplomacy. A Study in American Imperialism* (B. W. Huebsch, New York, 1925), p 3.

<sup>27a</sup> Marx and N.F. Danielson in Petersburg. Marx/Engels. *Werke*, Vol. 34 (Dietz Verlag, Berlin, 1966), p 359.

<sup>28</sup> W. Z. Foster. *Op. cit.*, p 233.

<sup>29</sup> V. I. Lenin. *Imperialism, the Highest Stage of Capitalism*, p 55.



in ever bigger profits as the West was opened up economically and drawn into the general economic circulation of the country.

Karl Marx, noting the growth of social contrasts (the wealth of the entrepreneurs and slick businessmen at one pole and the poverty of the millions of the labouring population, which was systematically reinforced by immigration, at the other), wrote:

On the one hand, the enormous and ceaseless stream of men, year after year driven upon America, leaves behind a stationary sediment in the east of the United States, the wave of immigration from Europe throwing men on the labour-market there more rapidly than the wave of emigration westwards can wash them away. On the other hand, the American Civil War brought in its train a colossal national debt, and, with it, pressure of taxes, the rise of the vilest financial aristocracy, the squandering of a huge part of the public land on speculative companies for the exploitation of railways, mines, etc., in brief, the most rapid centralisation of capital. The great republic has, therefore, ceased to be the promised land for emigrant labourers.<sup>30</sup>

The figures cited by Michael Mulhall in his *Industries and Wealth of Nations* show in particular how rapidly young American imperialism not only gained strength within the country but also entered the international arena as a big capitalist power.<sup>31</sup> The national wealth of the United States in 1895 was already valued at 38.5 per cent more than that of Great Britain (see Table 2.1). Three-quarters of it was concentrated in cities. It is obvious from that what a level the industrial development of the USA had reached overtaking such an old capitalist country as Great Britain, and far outstripping France, Germany, and Russia, its superiority being marked in all sectors of the economy.

The American monopolies were already trying then to consolidate their economic superiority by political means.

The domestic economic processes taking place within the USA and finding expression in a rapid development of capitalism in industry and agriculture, and the political conditions linked with it, had already reached such a level at the end of the century that American capitalism had begun more and more to turn its gaze abroad. The following excerpt from a speech by Senator Henry Cabot Lodge on 7 January 1901 witnesses to the international pretensions that American imperialism was declaring then:

We occupy a great position economically. We are marching on to a still greater one. You may impede it, you may check it, but you cannot stop the work of economic forces, you cannot stop the advance of the United States.... The American people and the economic forces which underlie all are carrying us forward to the economic supremacy of the world.<sup>32</sup>

That quite frankly expressed the expansionism of American imperialism.

It is not without interest to note that this speech was made by the same Senator Lodge who led the opposition to President Wilson on the U.S. attitude to the Treaty of Versailles. Wilson lost and Lodge won. The USA did not ratify the Treaty. But Lodge's isolationist platform on the Treaty did not prevent him from taking an extremist position on matters of the overseas expansion of American capital.

<sup>30</sup> Karl Marx. *Capital*, Vol. I, pp 723-724.

<sup>31</sup> Michael G. Mulhall. *Industries and Wealth of Nations* (Longmans, Green, London, 1896), p 392.

<sup>32</sup> Cited from W. Z. Foster. *Op. cit.*, p 232.

Table 2.1

Size and Structure of the National Wealth  
of Selected Countries, 1895  
(£ million)

Country	Farms	Railways	Houses	Mer- chandise	Sundries	Total
United Kingdom	2,077	985	2,490	805	5,449	11,806
France	3,093	663	2,159	601	3,174	9,690
Germany	2,508	555	1,755	677	2,557	8,052
Russia	2,710	349	1,019	545	1,832	6,425
Austria	1,797	371	719	367	1,258	4,512
Italy	1,399	184	503	223	851	3,160
Spain	1,212	108	280	148	632	2,380
Danubian states	508	36	136	83	263	1,026
Belgium	354	75	175	118	266	988
Netherlands	295	46	178	104	257	880
Sweden & Norway	278	40	152	80	240	790
Denmark	254	14	69	37	132	506
Switzerland	172	44	91	49	136	492
Portugal	164	23	77	32	115	411
Greece	109	6	31	15	61	222
Europe	16,930	3,499	9,834	3,854	17,223	51,340
United States	4,142	2,260	4,446	1,563	3,936	16,350
Australia	392	139	174	88	283	1,076
Canada	305	186	145	103	264	1,003
Argentina	198	88	107	53	170	616
Total	21,967	6,172	14,706	5,661	21,879	70,385

Source: M. G. Mulhall. *Industries and Wealth of Nations* (Longmans, Green, London, 1896), p 392.

Even earlier, incidentally, in her pre-imperialist period of development, the USA resorted more and more to acts of foreign expansion and its imperialist consummation, viz., direct aggression against other countries. In the first quarter of the nineteenth century she openly demanded that the American continent be regarded as a U.S. sphere of influence, putting this demand in the form of the 'Monroe Doctrine' (1823), and motivating it, just as the present bosses of Wall Street do, on the need to 'defend' the American continent against outside danger. In the middle of the century this found expression in the Perry expedition, the notorious 'opening' of Japan, which had long attracted American capital as a market for merchandise.

Up to the end of the century American expansion was directed mainly against the countries of Latin America, under the banner, in particular, of implementing the 'Monroe Doctrine'. The USA was striving then to get its hands rapidly on territories that had not been seized



by the other big capitalist countries. Although colonisation of the West had been completed, and the main railway lines, connecting these lands with the rest of the country had been built, and the railway speculation that had made colossal fortunes for the tycoons was over, American capital still had very profitable conditions for its application within the country, conditions unequalled in other countries.

In his list of 'Chief Crises in the International Policy of the Great Powers After 1870-71' in his *Notebooks on Imperialism*, Lenin mentioned the USA first in 1889, and named her in six of the 14 crises he listed between then and 1914 as follows:

- 1889: Seizure of Samoa islands (jointly by Britain, Germany and the USA).
- 1898: Spanish-American war. (Cuba and Philippines plundered.)
- 1899: 'Friction' between Germany, Britain and the USA over Samoa. Threats of war. Conflict. Treaty 'partitioning' the islands, November 14, 1899.
- 1900: All the powers join to strangle China: Germany + Russia + USA + Japan + Britain + France.
- 1908: U.S.-Japanese treaty (November 28) guaranteeing their Pacific 'possessions'.
- 1911: Anglo-Japanese treaty (Britain to be neutral in a war between Japan and the USA).<sup>33</sup>

The so-called purchase of Alaska (1867) from the czarist government of Russia by no means merits last place in the territorial expansion of U.S. capitalism during the nineteenth century. That deal demonstrated czarism's contempt for Russia's national interests. Alaska was acquired by the United States for the ridiculously low sum of \$7.2 million.

As a result of American capitalism's open territorial expansion, the USA proved to be the possessor of six colonies at the end of the century, with an area of roughly 442,000 square kilometres, and a population around ten million.<sup>34</sup> Her imperialistic acquisitions, it is true, were much smaller than the territorial grabbing of countries like Great Britain and France, but American imperialism was straining to make up for what it had missed and to get its hands on what 'lay in temptation's way', without stopping at the use of armed force. Mark Twain wittily expressed the public indignation of the democratic masses of the USA when he declared that 'we can have just our usual flag, with the white stripes painted black and the stars replaced by the skull and crossbones'.<sup>35</sup>

By the end of the nineteenth century the United States had thus been converted into a power possessing a number of colonies and dependent territories. The development of a broad expansion of capital was on the agenda.

<sup>33</sup> V. I. Lenin. *Collected Works*, Vol. 39, p 687.

<sup>34</sup> George Marion. *Bases & Empire. A Chart of American Expansion* (George Marion, New York, 1948), p 161.

<sup>35</sup> *Mark Twain on the Damned Human Race* (Hill & Wang, New York, 1963), p 21.

## §2. Main directions of U.S. capital exports before World War I

The broad economic expansion following on territorial expansion found expression not only in the introduction of American capital into the colonies or territories under *de facto* American control, like Cuba, but also in economic expansion in other countries, above all Canada and the continental countries of Latin America.

As is well known, the USA was a debtor-country before World War I. Millions of dollars of foreign capital had flowed into its economy, especially into industry and railways, in the form of loans, credits, and direct foreign investment. Several big capitalist countries, especially Britain, France, and Germany, invested considerable capital in the American economy in the drive for high profits. The export of capital characteristic of imperialism also began to be manifested more and more in the USA itself.

The dynamics of the U.S. import and export of capital, and of its foreign indebtedness before World War I will be seen from the figures in Tables 2.2 and 2.3. Foreign capital came to the U.S. both from private sources and in the form of government loans. According to the official data (see Table 2.3), the net foreign indebtedness (including direct foreign investments) rose gradually from 1789 and was more than \$1.9 billion in 1876. The subsequent development of American industry reduced her foreign debt to \$1,543 million in 1881, but rapid railway building led to an increase of net U.S. liabilities to \$3,328 million in 1896, mainly through direct foreign investments into railways. As is

Table 2.2

### U.S. Investments Abroad and Foreign Investments in the USA before World War I (1843-1914) (\$ billion)

Year	U. S. Investments Abroad							Foreign Investments in the USA						
	Total	Private				Short-term	U. S. Govern- ment	Total	Total	Long-term			Short-term	
		Total	Long-term		Direct					Other	Private	U. S. Gov- ern- ment		
			Total	Direct									Other	
obligations														
1843	0.05	—	—	—	—	—	—	0.2	—	—	—	—	—	—
1869	0.1	0.1	—	—	—	—	—	1.5	1.4	—	—	0.2	—	—
1897	0.7	0.7	0.7	0.6	0.1	—	—	3.4	3.1	—	—	0.3	—	—
1908	2.5	2.5	2.5	1.6	0.9	—	—	6.4	6.4	—	—	—	—	—
1914*	5.0	3.5	3.5	2.7	0.8	—	1.5	7.2	6.7	1.3	5.4	0.5	0.5	—

\* At 30 June 1914; including the U.S. gold reserve.

Source: *Historical Statistics of the United States. Colonial Times to 1970*, Part 2 (U.S. Govt. Printing Office, Washington, D.C., 1975), p 869.

Table 2.3

**U.S. Net Foreign Indebtedness, 1789-1900**  
(\$ million)

Year	Amount	Year	Amount	Year	Amount	Year	Amount	Year	Amount	Year	Amount	Year	Amount	Year	Amount
1789	60	1803	77	1817	109	1831	89	1845	209	1859	384	1873	1,762	1887	2,211
1790	61	1804	65	1818	104	1832	96	1846	208	1860	377	1874	1,844	1888	2,498
1791	69	1805	75	1819	89	1833	110	1847	189	1861	480	1875	1,931	1889	2,700
1792	77	1806	82	1820	88	1834	129	1848	191	1862	480	1876	1,933	1890	2,894
1793	75	1807	87	1821	83	1835	159	1849	188	1863	493	1877	1,876	1891	3,030
1794	66	1808	104	1822	91	1836	218	1850	217	1864	604	1878	1,714	1892	3,071
1795	79	1809	92	1823	89	1837	240	1851	223	1865	663	1879	1,554	1893	3,217
1796	83	1810	85	1824	88	1838	243	1852	239	1866	758	1880	1,584	1894	3,451
1797	94	1811	50	1825	81	1839	292	1853	295	1867	903	1881	1,543	1895	3,288
1798	96	1812	71	1826	84	1840	261	1854	337	1868	976	1882	1,653	1896	3,328
1799	81	1813	56	1827	74	1841	257	1855	352	1869	1,152	1883	1,704	1897	3,305
1800	83	1814	65	1828	85	1842	239	1856	364	1870	1,252	1884	1,809	1898	3,026
1801	81	1815	80	1829	83	1843	217	1857	381	1871	1,353	1885	1,843	1899	2,797
1802	74	1816	118	1830	75	1844	213	1858	358	1872	1,595	1886	1,980	1900	2,501

Source: *Historical Statistics of the United States, Colonial Times to 1970*, Part 2 (U.S. Govt. Printing Office, Washington, D.C., 1975), p. 869.

seen from the Table, the rates of flow of foreign investment slowed somewhat in the years following.

When characterising the international movement of capital before World War I, Lenin showed that the USA had no equal as a sphere for the placing of British capital—£688,078,000 (out of a total of £3,191,836,000), which was nearly a half of the total of all investments in British colonies and was much more than the total in foreign countries, including the USA. German capital abroad in 1904 (outside Europe), exclusive of securities, was 9,225 million marks, of which the U.S. and Canada accounted for 3,000 million marks. To that should be added the total of German capital abroad in securities (1897-1906), which was 21,909,700,000 marks, of which 4,945,800,000 marks were invested in the United States. The share of French capital was more modest: one billion francs were placed in the United States and Canada (out of a total of 35.5 billion francs of French capital abroad).<sup>36</sup>

While the USA was attracting capital to its developing industry and agriculture, she was at the same time resorting to export of capital,

<sup>36</sup> See Lenin's *Notebooks on Imperialism*. *Op. cit.*, pp. 286-290. Lenin took his British figures from Bernhard Harms. *Volkswirtschaft und Weltwirtschaft* (Gustav Fischer, Jena, 1912), pp. 228-229, who in turn took them from George Paish's paper Great Britain's Capital Investments in Individual Colonial and Foreign Countries in the *Journal of the Royal Statistical Society*, 1910-11, 74, 2:186.

and use of various levers of economic expansion in relation to other countries. According to the data adduced by R. W. Dunn in his book on U.S. foreign investments,<sup>37</sup> the total of American investments abroad, including holdings of securities and of the obligations of other governments, came to \$500 million in 1899 (\$185 million in Mexico, \$150 million in Canada, \$50 million in Cuba, \$55 million in other Latin American countries, \$40 million in Europe, \$5 million in China and Japan, and \$45 million in insurance companies in Russia and certain other countries). In 1899 foreign investments in the USA thus still exceeded American investments in other countries by \$2.8 billion.

The position changed noticeably in the first decade of the twentieth century. A process of replacing foreign capital began, especially in railroad companies, which had previously absorbed the bulk of foreign investment. Foreigners' percentage of shares in all the railroad companies fell several times over. According to the figures cited by the American economist B. H. Williams, most of the shares in five out of the nine biggest U.S. railroad companies belonged to foreigners in 1896<sup>38</sup>; in 1905 their proportion did not exceed 20 per cent of all the shares issued in any of the nine railroads, and was not more than 7 per cent in five of them. American investments abroad also began to swell rapidly, their total reaching \$2 billion in 1909 (\$500 million in Canada, between \$600 million and \$700 million in Mexico, and \$350 million in Europe).<sup>39</sup>

In some countries American capital had a leading position compared with that of other countries. Lenin, for example, gave the following figures: foreign capital in Canada in 1910 was 12,687 million francs (British—9,765 million, American 2,190 million, and French 372 million). In Mexico total foreign investments were 3,343 million francs (1886-1907), of which 1,771 million were American and 1,334 million British.<sup>40</sup>

According to Scott Nearing and Joseph Freeman, American businessmen were a common sight abroad even before 1900. American agents and industrialists had penetrated Mexico, Cuba, Hawaii, Canada, and other countries, but there was no significant export of capital abroad. Nearing and Freeman remarked:

Throughout the half century that has elapsed since the organisation of the Standard Oil Co. (1870), the economic life of the United States has been expanding with extreme rapidity.<sup>41</sup>

In spite of the fact that the economic conditions for the application of capital within the United States were still more favourable than in any

<sup>37</sup> R. W. Dunn. *American Foreign Investments* (B. W. Huebsch and the Viking Press, New York, 1926), p. 2.

<sup>38</sup> Benjamin H. Williams. *Economic Foreign Policy of the United States* (McGraw-Hill, New York, 1929), p. 16.

<sup>39</sup> H. E. Fisk. *The Inter-Ally Debts. An Analysis of War and Postwar Public Finance 1914-1923* (Bankers Trust Company, New York, 1924), p. 306. Cited also in R. W. Dunn. *Op. cit.*, p. 2.

<sup>40</sup> See Lenin's *Notebooks on Imperialism*. *Op. cit.*, p. 288. Facts cited from Bernhard Harms. *Op. cit.*, p. 373.

<sup>41</sup> Scott Nearing and Joseph Freeman. *Op. cit.*, p. 1.



other capitalist country, U.S. capital began to seek external economic expansion through predatory imperialist wars.

The end of the nineteenth century was marked by the USA's open emergence as an imperialist power taking the road of territorial conquests and opening a period of wars aimed at repartition of the world. An American protectorate was established over the Hawaiian Islands in 1893; in 1898 they were finally annexed by the United States. As a result of the war with Spain the United States got her hands on the former Spanish possessions of the Philippines, Cuba and Puerto Rico, Guam, and a number of other small islands in the Pacific Ocean.

The hypocrisy with which these conquests were explained will be seen from the following excerpt from a speech of President McKinley to a group of churchmen. Here is how he 'explained' the reason for the occupation of the Philippines:

I walked the floor of the White House night after night until midnight; and I am not ashamed to tell you, gentlemen, that I went down on my knees and prayed Almighty God for light and guidance more than one night.

And one night it came to me this way—I don't know how it was but it came: 1) that we could not give them back to Spain—that would be cowardly and dishonourable; 2) that we could not turn them to France or Germany—that would be bad business and discreditable; 3) that we could not leave them to themselves—they were unfit for self-government—and they would soon have anarchy and misrule over there worse than Spain's was; and 4) that there was nothing left for us to do but to take them all, and to educate the Filipinos, and to uplift and civilize and Christianize them, and, by God's grace, do the very best we could by them, as our fellowmen for whom Christ also died.<sup>42</sup>

The unpardonable insincerity of that is obvious. As William Pomeroy wrote in his study of the Philippines:

In truth, as senators, congressmen, big businessmen, export merchants, generals and admirals openly proclaimed, the Philippines was viewed as a good strategic naval base and transshipment site for U.S. commercial and financial penetration of China.<sup>43</sup>

And it is not at all fortuitous that it was then that the USA came out in defence of the 'open door' principle in relation to China, a principle that in essence meant a demand to admit the United States to the pillaging of China, ensnared as she was in a tangle of dictated treaties and agreements imposed on her by the powers that had taken the road of territorial conquest and overseas economic expansion before the USA. By the end of 1913 the total of American foreign investments exceeded \$2.6 billion (see Table 2.4).

In the middle of 1914 U.S. capital investments abroad (direct ones included) came to \$5 billion. On the other hand, the value of the U.S. securities held by foreigners was \$7.2 billion (even \$7.5 billion by other estimates).<sup>44</sup>

<sup>42</sup> Cited by William J. Pomeroy. *An American Made Tragedy. Neo-colonialism & Dictatorship in the Philippines* (International Publishers, New York, 1974), p 7, from the *Christian Advocate*, 23 January 1903.

<sup>43</sup> *Ibid.*

<sup>44</sup> *Foreign Assets and Liabilities of the U.S.* Report to the Senate Committee on Finance by the National Advisory Council on International and Financial Problems, 80th Congress (U.S. Govt. Printing Office, Washington, D. C., 1948).

Table 2.4

American Foreign Investments before World War I (1913)

Country and region	\$ million	Percentage	Country and region	\$ million	Percentage
Latin America	1,300	49.9	Canada	750	28.8
Cuba	100		Europe	350	13.4
Mexico	1,050		China and Japan	100	3.8
Central America	50		Philippines	75	2.9
South America	100		Puerto Rico	30	1.2
Total				2,605	100.0

Source: Harvey E. Fisk. *The Inter-Ally Debts* (Bankers Trust Co., New York, 1924), p 307.

The total foreign investment in the USA (including both loans and direct investments), as we see, exceeded American foreign assets by something like \$2.2 billion to \$2.5 billion, in spite of the tendency of the gap to narrow, noted at the end of the nineteenth century (trend that became more marked at the beginning of the twentieth century). While foreign investments in the USA had been six times as big as American ones abroad in 1899, the ratio was roughly 2: 1 on the eve of the war in 1914.

This indicates that even before the war the place of the U.S. economy on the international capital market had begun to alter substantially. Although the amount of foreign capital placed in the USA still continued to increase in absolute terms, its significance for the USA was relatively diminishing. There was a rapid growth in American exports of capital, which indicated that the conditions had been ripening before World War I for the United States to become a major exporter of capital. World War I and the stimulus it gave to American industry, the development of monopolies, and consolidation of their financial and technological basis, accelerated the conversion of the United States into a world creditor, entangling a number of countries, including Great Britain and France, which had held the lead in export of capital before the war, in a spider's web of debts.

When Lenin was preparing his *Imperialism, the Highest Stage of Capitalism*, he listed the 'international banker' countries in the following order: (1) France, Belgium, Holland; (2) Great Britain; (3) the USA and Germany.<sup>45</sup> As we see, the USA had already moved into a leading position on the international capital market at the beginning of this century.

But it was not just a matter of granting loans. Industrial investments were growing, and there was a marked interlocking of capitals, and division of markets with major foreign monopolies. Lenin compiled

<sup>45</sup> V. I. Lenin *Notebooks on Imperialism. Op. cit.*, p 334.



a scheme in his *Notebooks on Imperialism* of how the American General Electric Co. (GEC) and Westinghouse Electric, working together through a quite intricate system of inter-firm links, had established close co-operation with the German Allgemeine Elektrizitäts-Gesellschaft (AEG) and Siemens and Halske-Schuckert. 'In 1907,' he noted, 'an agreement was concluded between the A.E.G. ... and the G.E.C. ... on division of the world.'

'G.E.C.—U.S.A. and Canada.

'A.E.G.—Germany, Austria-Hungary, Russia, Holland, Denmark, Switzerland, Turkey, the Balkans.'<sup>46</sup>

'An excellent illustration of imperialism,' he commented.<sup>47</sup>

The distinctly emerging growth of the USA as a world exporter of capital forced American politicians of the time to take the initiative in developing certain international standards in the sphere of credit and financial relations between states. At the Hague Peace Conference in 1907, General Horace Porter, the U.S. representative, moved a proposal about the obligations of states in the event of a country's breaking its debtor's obligations under loans. This proposition, which was adopted by a majority, read:

For the purpose of avoiding between nations armed conflicts of a purely pecuniary origin, arising from contract debts, which are claimed from the Government of one country by the Government of another country as due to its subjects or citizens ... it is agreed that there cannot be any recourse to a coercive measure involving the employment of military or naval forces for the recovery of such contract debts, until an offer of arbitration has been made by the claimant and refused or not answered by the debtor State, or until arbitration has taken place and the debtor State has failed to comply with the award made.<sup>48</sup>

Porter's proposition was noteworthy in that it was mainly directed against Great Britain, which had resorted to the use of force against Venezuela (1902-3) in connection with a conflict over that country's non-fulfilment of debtor obligations. The United States wanted to avert such actions by Britain that could lead to the occupation of Latin American republics, which the United States considered her sphere of influence. In truth, the proposition, underlying the corresponding convention adopted by the Conference, also permitted armed intervention in the case of a debtor State's non-fulfilment of an award made by the arbitration provided for under the Hague Convention. The USA knew, however, (1) that she could influence the outcome of such arbitration, by virtue of her growing weight in international affairs, so as not to sanction the use of force by other states in respect of Latin American republics, and (2) that in the event of the arbitration being inimical to her interests, she could take measures, based on the Monroe Doctrine, to prevent the use of force by a European state in relation to Latin American countries.

Even before the USA became the biggest exporter of capital she had not failed to employ her economic power and growing capital

<sup>46</sup> V.I. Lenin. *Notebooks on Imperialism*. Op. cit., pp 338-339.

<sup>47</sup> *Ibid.*, p 338.

<sup>48</sup> *The Proceedings of the Hague Peace Conferences. The Conference of 1907, Vol. II. Meetings of the First Commission* (OUP, London, 1924), p 907.

resources invested abroad to achieve her expansionist aims not only in Latin America, but also in Europe, Asia, and Oceania. U.S. monopoly capital exploited the antagonisms between the other big powers for purposes of political, economic and territorial expansion in many regions of the world.

## 2.1. From the history of American capital's infiltration of Russia

Long before World War I American capitalism was already making repeated attempts to exploit Russia economically, especially her Far Eastern areas and Siberia, for which purpose projects of various kinds were put forward, one after the other, to inject American capital into the Russian economy.

The American monopolies, it is true, did not manage to export capital to Russia on a broad scale; there were several reasons for that, primarily because Russia, as a Great Power, was very sensitive of U.S. scheming in the Far East, to which American capitalism was paying special attention in carrying out its expansionist plans in respect of Russian territories.

Over a space of decades, especially in the last quarter of the nineteenth century, American capital's schemes were being increasingly concentrated on the eastern areas of Russia. The following characteristic facts about U.S. expansionist ambitions in respect of Russia should be noted, because they supplement the general picture of American imperialist expansion at the end of the nineteenth century and beginning of the twentieth.

In 1856, after Russia's reverse in the Crimean War, the U.S. government obtained the czarist government's consent for the USA to have a special agent on the Amur River. One Percy Collins was appointed; during his journey from St. Petersburg to his post, as he wrote, he 'was struck with the magnitude of its [Siberia's] natural resources'.<sup>49</sup>

American firms robbed the population of the Kurile Islands for decades, rapaciously slaughtering valuable marine mammals, cutting down forests, and grossly violating the relevant agreements concluded with the Russian side. The Americans endeavoured to get their hands on the Kurile Islands, considering them of strategic importance for their sweeping plans of political and economic expansion in relation to Russia.

U.S. capitalists' appetite grew continuously. In the 60s American capital was trying to get the czarist government to agree to grant a concession for building a railway, and then a telegraph line, linking Alaska and the Amur region, but the Russian government did not accept this obviously expansionist plan. In the 70s and 80s, however, American capital continued to penetrate the economy of the Far Eastern

<sup>49</sup> Cited by Raymond A. Davies and Andrew J. Steiger in *Soviet Asia, Democracy's First Line of Defense* (The Dial Press, New York, 1942), p 307.



areas of Russia intensively by the ways open to it (the fur trade, gold mining, etc.). American traders ruthlessly exploited the natural wealth and robbed the local population of Chukotka and adjoining areas.

After the USA 'acquired' Alaska, American capital's efforts to infiltrate the economy of the eastern areas of Russia increased markedly. North-eastern Siberia became an object of rapacious exploitation by American firms. Here, for example, is what the Russian Consul-General in San Francisco, A. Olorovsky, wrote on 16 December 1889:

Since the sale of our North American colonies to the U.S. in 1867 a regularly organised illegal and poaching exploitation of the coasts of both our seas has begun... Americans have made themselves the complete masters of our territorial waters.<sup>50</sup>

His same report said further:

The Anadyr Gulf and Holy Cross and Anadyr bays have become the favourite spot, because of the convenience and safety of their anchorages, of filibusters of every kind. The regular putting into the Gulf of the ships of Messrs. Mackean, Wright and Brown, Griffin, and others has given rise to barter trade there ... that does us nothing but harm: (1) because they are corrupting the local native population, systematically making it drunk; and (2) they are diverting a considerable part of the fur trade from Yakutsk, thus depriving our population in the Yakutsk region of a certain share of the revenues, and giving only Messrs. Mackean, Griffin, and others the chance to get rich to the detriment of our own population.<sup>51</sup>

A year later the Russian Minister in Washington, G. A. Katakazi, reported that he had distrained more than 11,000 sea-otter pelts because they had all been got through illegal, rapacious hunting.

The U.S. government tried to legalise these actions by American firms. In 1868 it had proposed a convention to the Russian government on the 'reciprocity' principle, although in the conditions then Russia could not in fact make actual use of her formal right and engage in fishing or sealing off the U.S. coast. It was typical that when handing the note concerned to the Russian Minister, the U.S. Secretary of State W. H. Seward did not fail to threaten that if the Russian government did not meet the wishes of the American government, that 'would be the reason for long, serious, and probably irreconcilable estrangement and disagreement' between the two countries.<sup>52</sup> This demand, dictated by the interests of big American firms, was left unanswered by the Russian government.

The appetite of American capitalists, driving to exploit the wealth of north-eastern Siberia, grew sharper and sharper in the years that followed. At times it led to a considerable exacerbation of relations between the USA and Russia, especially when the Russian government resorted to repressive measures against American entrepreneurs who were illegally and rapaciously exploiting the wealth of those parts, and ruining the local population. The American firms' persistence (they were backed, as a rule, by major American banks) is to be explained first and foremost by the huge profits they were making from exploi-

<sup>50</sup> See *Foreign Policy Archives of Russia* (AVPR), Embassy in Washington, box 512/1, file 573, sheets 203, 206.

<sup>51</sup> *Ibid.*, sheets 203, 204.

<sup>52</sup> AVPR. St. Petersburg. *Main Archives*, 1-9, 1868-1870, file 5, sheet 97. Re-translated from the Russian.

tation of this area's natural wealth. Profits of 500, 1,000, and even 2,000 per cent were not uncommon.

Things got even worse; U.S. monopoly capital in the person of J. P. Morgan and other big Wall Street bankers began to boss the whole business of American expansion in the area of the Russian Far East.

Lenin pointed out, when speaking of Russia at the end of the nineteenth century and the schemes of foreign capital in Russia, that foreign capitalists

are flinging themselves greedily on this young country in which the government is more favourable and obsequious to capital than anywhere else, in which they find workers who are less organised and less capable of fighting back than in the West, and in which the workers' standard of living, and hence their wages, are much lower, so that the foreign capitalists are able to draw enormous profits, on a scale unparalleled in their own countries.<sup>53</sup>

Given the domination of monopoly capital, at a time when the placing of capital in Russia promised particularly high profits for foreign monopolists, the drive to invest in Russian industry became particularly strong. In 1915 the foreign capital invested in mining was 868 million roubles, in metal working and engineering 362 million, and in oil enterprises 241.6 million roubles (between 1910 and 1914 alone).

More than 200 million gold roubles were sent out of Russia annually in the form of profits on capital invested in industry and other sectors of the economy and as interest on loans. That in itself is adequate evidence of what resources were being drained from the country, to the profit of foreign capital.

If many of American monopolies' plans were not realised, it was mainly because the czarist government was afraid of deep popular indignation if their sweeping demands were met. What these were can be seen from American finance capital's persistent efforts to get the building of railways in the eastern areas of Russia into its hands.

Big American capitalists evinced very great interest in the plan to build the Siberian railway, the Russian Ambassador in Washington reported. They put forward various projects for building it, having in mind the setting up of a special 'Trans-Alaska-Siberia' syndicate, in which E. H. Harriman, the railroad tycoon, and the Morgan financial group would play first fiddle. The plan to form this syndicate got full support from Theodore Roosevelt's Administration.

Under this project Russia was to grant the American syndicate a 90-year lease of a strip of land 24 versts (roughly 16 miles) wide along the railway,

which will constitute an area of 120,000 square versts along the whole length of the railway (5,000 versts), or around 138,000 square kilometres, i.e. an area twice as great as that of Belgium and Holland taken together.<sup>54</sup>

with the right to exploit its mineral resources, which were to be put at the syndicate's full disposal. The conditions of the concession agree-

<sup>53</sup> V. I. Lenin. Draft and Explanation of a Programme for the Social-Democratic Party. *Collected Works*, Vol. 2 (Progress Publishers, Moscow, 1972), p 109.

<sup>54</sup> AVPR. Pacific Ocean desk, file 473, sheet 139. Memorandum of the Ministry of Commerce and Industry on Luc de Lobel's project for building an Alaska-Siberia Railway of 15 November 1905.



ment also envisaged the right of the American entrepreneurs to buy other land, build transport and industrial enterprises throughout north-eastern Russia, bring in workers and technical personnel from America, and even form their own armed security corps.

Typically, the American monopolists' demands were put to Russia at a very difficult time during the Russo-Japanese War.<sup>55</sup> As the negotiations developed the terms were not eased but on the contrary were made even stiffer.

As at the end of the nineteenth century, American monopolists were paying much attention to getting their hands on the Russian fur trade. During World War I almost all Russian fur was delivered to the USA. According to A. Shisha, the value of the pelts exported to America was as follows: \$249,000 in 1914, \$533,700 in 1915, \$1,650,000 in 1916, and \$2,558,000 in 1917.<sup>56</sup>

Shortly after the building of the Trans-Siberian Railway (at the beginning of the century) American monopolists were trying to make up for lost time and hurrying to put capital into the eastern expanses of Russia. The journal *Sibirsky nablyudatel* (Siberian Observer), remarking on American capital's insatiable appetite in relation to the east of Russia, justifiably pointed out in 1901 that 'Siberia arouses a special, practical, so to say, interest in Americans'.<sup>57</sup> The North-East Siberian Company (founded in 1902), operating in Siberia, which was in fact American, got the mining of minerals there into its hands. The company was linked with Morgan and with big U.S. banks.

The Russian press, when commenting on the activity of American businessmen in Siberia, pointed out the aims it covered. The newspaper *Sibirskaya mysl* (Siberian Thought) recalled a curious incident, when an American professor, fulfilling a certain assignment, travelled around Siberia four times, studying its wealth.<sup>58</sup>

The trip of Senator Lodge to Russia in 1901, and of the well-known politician Albert J. Beveridge, who also travelled through Siberia, can illustrate the aims of American monopoly capital. On their return to the USA they called for an intensification of expansion in relation to Russia; Beveridge, moreover, declared that the whole area east of Irkutsk was 'a natural market' for the United States, confirming the saying that 'appetite comes with eating'. There was also the journey through Siberia made by the U.S. Secretary for War W.H. Taft after the end of the Russo-Japanese War, undertaken with the same aims.

But the most typical example of the schemes of American capital in the eastern areas of Russia in the first decades of this century, perhaps, was the activity of Herbert Hoover, who later became President of the USA. Having concessions in Russia, and having founded the so-called

<sup>55</sup> The author of the project Luc de Lobel, a former agent of American industrial and financial tycoons, presented the scheme to the Russian Government in February 1905.

<sup>56</sup> See A. Shisha, *Rol inostrannogo kapitala v ekonomicheskoi zhizni Sibiri* (The Role of Foreign Capital in the Economic Affairs of Siberia), Novonikolayevsk, 1922, p 31.

<sup>57</sup> See *Sibirsky nablyudatel*, 1901, 8: 8.

<sup>58</sup> See *Sibirskaya mysl*, 23 March 1912.

Russo-Asiatic Company (Russko-aziatskoye ob'edinennoye aktsionernoye obshchestvo) with Leslie Urquhart, he became a major private investor of capital, chiefly in mining. According to some estimates he made millions from just one concession, the Kyshtym Mine (in the former Ekaterinburg area—now Sverdlovsk).

U.S. imperialism did not manage to realise its plans to ensnare vast areas of Russia, but U.S. capital continued to infiltrate certain sectors of Russia's economy right down to the October Revolution of 1917. Its investments in Russian joint-stock companies alone came to 417,750,000 roubles in 1917 (see Table 2.5).

Table 2.5

American Capital in Russia in 1917

Firm	Capital (000 roubles)
International Harvester (Russia)	60,450
Otis Elevator Co.	500
Russian Sales Agency for Vacuum Oil Co.	1,200
The Singer Manufacturing Co.	50,000
Russo-American Commercial and Industrial Co.	2,500
G. Block Co.	800
Babcock & Wilcox Co. (Russia)	500
Russo-American Commercial and Industrial Co. (RATO)	800
Equitable Life Assurance Society of the United States	500
New York Life Assurance Society	500
Total	117,750

Source: P. V. Ol. *Inostranniy kapital v Rossii* (Foreign Capital in Russia), Petrograd, 1922, pp 419-120, 236-237.

The U.S. capital in certain small joint-stock companies is not shown in Table 2.5 especially that in the International Taxi Co., founded to produce and sell motor cars and engines. Allowance should also be made for the fact that American capital did not function openly in many cases, but through nominees of agents.

The *Torgovo-promyshlennaya gazeta* (Commercial and Industrial Gazette) wrote in 1902 that Nobel and Rothschild had come to an agreement with the American Standard Oil Co. to share markets and lower the purchasing price for oil. As the price cut was accompanied with a raising of the selling prices for oil products on the world market, the foreign capitalists made profits of the order of 500 per cent or more,



which forced the Russian oil producers to discuss the situation created specially at their 16th Convention in December 1901.<sup>59</sup> The huge profits on investments in Russian industry, especially in mining, were largely due to the fact that Russian capital itself had not rushed to the borderlands of the country, which had simply stimulated the schemes of foreign capital there.

A clear example of the USA's use of her mounting financial potentiality against Russia, and at the same time an example of the extreme hostility of American capital to the peoples of Russia, was her policy on the eve of the Russo-Japanese War, and during the war itself and the negotiations preceding the Treaty of Portsmouth. We shall not dwell on the many facts about US diplomatic actions that in fact pushed Japan into war with Russia, encouraged Japan by promises of support, and endeavoured in every way to set these two powers at loggerheads so as to weaken Russia and strengthen U.S. influence in the Far East, especially in China. That feature of U.S. policy then has been elucidated in general in the Soviet literature.<sup>60</sup> In this connection we shall only cite a few facts.

The infiltration of American capital into China, especially into Manchuria, became a matter of serious concern at the turn of the century for the czarist government, which had its own aims in regard to Manchuria. As a result there was a long-drawn-out struggle for influence in Manchuria. The United States considered Manchuria not just as an object of colonial exploitation but also as a bridgehead for expansion in relation to Russia. Russo-American rivalry in Manchuria was the subject of a long diplomatic struggle, until it became a battlefield during the Russo-Japanese War. The struggle developed mainly around implementation of the 'open door' doctrine (colonial in nature) in respect of China.

Russia's position, and her attitude to U.S. attempts to employ this doctrine for U.S. expansionist aims in the East is revealed, for example, by the despatches of a leading Russian diplomat of the time, the Ambassador in Japan, Baron R. Rozen. In one of them he wrote:

In fact, the United States' way of acting on the issue of open doors astonishes not only by that Power's inconsistency which is hastening to close doors to foreign commerce in the Philippines by the introduction of prohibitive tariffs but also by the unfriendly character of the position adopted, in no way caused by us, and all the more astonishing because it is American industry that has derived great benefit from our activity in Manchuria, which has given it big orders for the needs of our railway building.<sup>61</sup>

Rozen's appreciation of U.S. policy and of American capital's plans for expansion in the countries of the Orient is not without interest. It noted that the 'open door' demand in respect of Manchuria, as of China as a whole, was accompanied with the USA's establishing of a tough cus-

toms regime in the territories she had seized, e.g. the Philippines, and the introduction of high import duties. The deeply selfish, expansionist calculations of this policy were obvious.

Relations between the USA and Russia became increasingly cool as a result of American capital's increased schemes in the northern areas of China and its clear sympathy for Japan in the impending Russo-Japanese conflict. They became very tense at times as is witnessed by the despatches, in particular, of the Russian ambassadors abroad. Those of the Russian Ambassador in Washington, A. P. Cassini, are of very great interest. In a secret telegram of 12 (25) June 1903 he wrote:

Today I caught Hay [then U.S. Secretary of State—A.A.G.] in an aggressive mood. He considers the position hopeless. I explained to him for a long time that, while not ignoring American wishes, we had to think of our own in Manchuria so that our predominant position in Manchuria, which he furthermore is the first to admit, did not remain meaningless... The United States will not, of course, get involved in war against us, whatever happens there, but will give Japan moral and financial support, as before. The moment is serious, and whatever the interests that must be safeguarded in Manchuria, it is necessary to weigh the pros and cons carefully and as quickly as possible before taking a final decision.<sup>62</sup>

Russo-American relations were becoming cooler and cooler, and it was not very difficult to notice then that American monopoly capital intended to use its economic weight and financial resources in the impending conflict between Russia and Japan to aid Japanese imperialism.

In the period when the bourgeois Provisional government was in office in Russia, American monopolists developed feverish activity to grab vital positions in the Russian economy, especially in Siberia. As before their gaze was mainly fixed on railways. For six months before the October Revolution a host of economic and technical experts and diplomats were sent to Russia, with the job of winning opportunities for American capital to penetrate the Russian economy, and furthering consolidation of the power of the bourgeoisie and landowners. The operations of the American representatives showed that they faithfully served their bosses.

As a typical example, we may take the activity of two American missions, a diplomatic one headed by Elihu Root and a technical one headed by John F. Stevens. The head of the diplomatic mission was a representative of the Morgan financial monopoly group that had long been trying to grab key positions in the economy of the eastern regions of Russia. The head of the technical mission was a big businessman who had made a pile from the building of the Panama Canal through crushing exploitation of the local population, and from the various shady financial deals and frauds that accompanied it.

Both missions, which had been handpicked with the personal participation of President Wilson, included representatives of Big Business and many military men. The diplomatic mission, for example, included the well-known manufacturer of farm machinery McCormick. His com-

<sup>59</sup> See *Torgovo-promyshlennaya gazeta*, 3 (16) January 1902.

<sup>60</sup> See, for example, A. Dobrov. *Dalnevostochnaya politika SShA v period russo-yaponskoi voyny* (U.S. Far-Eastern Policy during the Russo-Japanese War), Gospolitizdat, Moscow, 1952.

<sup>61</sup> AVPR, Chancellery, file 107, Vol. I, 1903, sheet 11. R. R. Rozen's telegram of 5 (18) June 1903.

<sup>62</sup> AVPR, Chancellery, file 129-1, 1904, sheets 23-24. Cassini to Lamsdorf, 31 December 1903 (13 January 1904).



pany already had wide international ties then, which gave it huge profits not only from exploitation of workers in the USA but also through expansion abroad. The mission also included Charles Crane, a big Chicago industrialist and friend of Wilson's, and S.R. Bertron, one of the biggest New York bankers, who was also president of International Harvester, one of the richest and most influential companies in the USA.<sup>63</sup>

The formal etiquette followed in the forming of the mission (nine of its members were given the rank of ambassadors extraordinary and ministers plenipotentiary) could not hide the fact that it was not just a diplomatic mission with definite foreign policy tasks, but was also a mission whose job was to fling the doors wide open for American capital in the event of a turn of events in Russia favourable for American imperialism. It was not by chance that it paid much attention to negotiations for granting the USA the right to develop mineral wealth in Siberia and on Sakhalin. Other areas of Russia were also the subject of negotiations: gold mines in the Altai, Caucasian iron ore mines, railways in the Urals, etc.

The financial 'aid' promised the Provisional government by the American mission, in particular during its negotiations with Shingarev, the Minister of Finance, was used to get the Provisional government to refuse to ratify certain decisions of the Paris Conference (June 1916), which put obstacles in the way of American capital's infiltration into Russia to the detriment of Anglo-French capital. The course of the mission's negotiations and the various terms put forward largely resembled the present practice of the American monopolies, which impose crippling terms on countries that have recourse to American financial 'aid'. The difference is only in the scale and the even greater aggressiveness of U.S. monopoly capital now than in the past.

Stevens' mission, which arrived in Vladivostok on 31 May 1917 and in Petrograd on June 12, developed no less vigorous efforts: it stopped repeatedly on the journey across Siberia to investigate its natural wealth and gather relevant information (with the knowledge and consent, of course, of the Russian government).<sup>64</sup> The mission got control over all the main trunk railways, but especially over the one linking Vladivostok with the vital centres of the European part of Russia. Stevens himself was soon appointed adviser on railways to the Russian Ministry of Railways.

As a result of the great activity of both the American mission and the American Ambassador David Francis, and the financial 'aid' promised to the Provisional government, agreement was reached on sending a large number of American railwaymen to Russia, who were to be stationed between Vladivostok and Omsk, between Moscow and Omsk, and between Moscow and Petrograd. The then Russian Ambassador in Washington, Bakhmetiev, communicated plans for

<sup>63</sup> See *Papers Relating to the Foreign Relations of the United States. The Lansing Papers, 1914-1920*, Vol. 2 (U.S. Govt. Printing Office, Washington, D.C., 1940), p. 327.

<sup>64</sup> AVPR, Chancellery of the Minister of Foreign Affairs, file 61, 1917, sheets 145, 156, 160.

the sending of big groups of railwaymen from the USA to Russia.<sup>65</sup>

At the same time plans were made for obtaining concessions in Russia to prospect for oil on Sakhalin, coal in the Kuzbas, gold fields in the Altai, and coal and peat in the Moscow Basin, to mine iron ore in the Urals, and so on. Moreover, the appropriate projects had already been drafted to grant many concessions to American monopolies.<sup>66</sup>

It is not surprising, therefore, that the Root mission returned to Washington, as the Russian Embassy reported, 'extremely favourably minded toward Russia',<sup>67</sup> that is to say, toward the counter-revolutionary government of Russia that was then in power and was trying to lay a heavy burden on her peoples made in Wall Street.

## 2.2. The export of American capital to Japan

The end of the nineteenth century was marked by the appearance of two new powers on the imperialist scene in Asia: the USA, which had advanced to a 'first class' power after victory over Spain in 1898, and Japan, which had come to the fore through its victory in the Sino-Japanese War in 1895.

There is a view in the foreign literature that Japan, in putting forward claims on other countries, was allegedly only following the West's example of territorial expansion in Asia.<sup>68</sup> The idea is not new. In Lenin's conspectuses there is an extract from S. Hishida's dissertation on the international position of Japan as a Great Power, published in New York in 1905. Lenin had no high opinion of the value of the book, calling it 'amateurish', but he noted its general political trend: 'A rehash of the history of Japan versus other countries from 660 B.C. to 1905,'<sup>69</sup> i.e. a history of 'opposition' over more than 25 centuries! In Lenin's extract one can trace the idea that the conversion of the Far East into 'a centre of ambitions' by imperialist powers, including the USA and Japan, could be dated from the war of 1894-5, while 'the economic activity of the Great Powers' is interpreted so as to establish control, 'for economic or political purposes', over "as large a portion of the earth's surface as their energy and opportunities may permit".<sup>70</sup> In connection with these claims, Lenin noted in his conspectus of the work of another author, Sigmund Schilder, which he labelled 'a very good outline', in contrast to Hishida's thesis: 'Japan aims at domination over China.'<sup>71</sup>

<sup>65</sup> *Ibid.*, sheet 388.

<sup>66</sup> See L. Eventov. *Russo-American Economic Relations in the Past, and the Outlook for Them. Planovoye khozyaistvo*, 1925, 7: 219.

<sup>67</sup> AVPR, Chancellery of the Minister of Foreign Affairs, file 61, 1917, sheet 318.

<sup>68</sup> See W. Ashworth. *A Short History of the International Economy since 1850* (Longman, London, 1975), p. 155.

<sup>69</sup> See Lenin's Notebooks on Imperialism. *Op. cit.*, p. 207.

<sup>70</sup> Cited from S. Hishida. *The International Position of Japan as a Great Power* (Macmillan, New York, 1905), pp. 256, 269. See Lenin's Notebooks on Imperialism. *Op. cit.*, p. 207.

<sup>71</sup> See Lenin's Notebooks on Imperialism. *Op. cit.*, p. 41.



Some of the Great Powers, incidentally, definitely wanted to direct Japanese aspirations against Russia. From an article by Otto Franke on the Great Powers in Eastern Asia, which he called 'a useful summary of the facts', Lenin made extracts about the secret negotiations in London in 1898 on the initiative of Joseph Chamberlain for an Anglo-Japanese-German triple alliance against Russia. The negotiations became known from notes published by the Japanese Ambassador, Count Hayashi, publication of which was stopped by the Japanese government. The essence of the negotiations and of Japan's position is revealed by the following passage from Franke's article:

This coincided with confidential British overtures to Berlin on an Anglo-German alliance. These were without result, if only because Great Britain had nothing to offer or propose to Germany other than the honour of taking the field against Russia. Japan, however, did not hesitate; she was ready to enter into such an alliance with Germany.<sup>72</sup>

'They did not strike a bargain!!' was Lenin's comment on that diplomatic episode.<sup>73</sup>

Such was the political combination. As for foreign capital in Japan, it was not significant. Lenin estimated the total, from the data in Joseph Grunzel's book on the balance of trade, etc.,<sup>74</sup> at 1,765 million yen, noting: 'this is national debt; 33 million yen in enterprises.'<sup>75</sup> He also made calculations from the data in Bernhard Harms' book already mentioned that permitted him to conclude that Japan's position in the sphere of the foreign investment was very modest: British capital there accounted for £53,705,000 out of a total British foreign investment of £3,191,836,000 in 1911; French a billion francs (including China) out of a total of 35,500 million francs placed abroad; German 1,290,400,000 marks out of 21,909,700,000 marks.<sup>76</sup> As for American capital \$5 million out of roughly \$500 million was placed in Japan and China in 1900 (as noted above).<sup>77</sup>

The USA's financial support of Japan during the Russo-Japanese War of 1904-5 was typical of her use of capital exports not simply for purposes of direct economic gain but also for implementing her foreign political plans. It was an expression of the far-reaching aspirations of American imperialism, aimed at weakening Russia and creating opportunities for American monopolies both to rule the roost in North China and to infiltrate the economy of eastern areas of Russia.

Even before the Russo-Japanese War it had become clear that American monopoly capital had made a definite gamble on giving Japan financial, economic, and other aid in her fight against Russia. In May 1904, after the outbreak of the war, the banker Jacob Schiff formed a special syndicate with Kuhn Loeb & Co., the National City

<sup>72</sup> Otto Franke. *Die Grossmächte in Ostasien*. In O. Hintze, F. Meinecke, et al. (Eds.). *Deutschland und der Weltkrieg* (Teubner, Leipzig, 1915), pp 442-443. See Lenin's Notebooks on Imperialism). *Op. cit.*, p 528.

<sup>73</sup> See Lenin's Notebooks on Imperialism. *Op. cit.*, p 528.

<sup>74</sup> Joseph Grunzel, *Handels-Zahlungs-, und Wirtschaftsbilanz* (Exportakademie, Vienna, 1914), pp 26-29.

<sup>75</sup> See Lenin's Notebooks on Imperialism. *Op. cit.*, p 96.

<sup>76</sup> *Ibid.*, pp 287, 288, 289.

<sup>77</sup> Scott Nearing and Joseph Freeman. *Dollar Diplomacy*..., p 11.

Bank of New York, and the Commercial Bank, to float Japanese loans in the USA. A first loan of \$50 million was launched in the middle of that year, its total being shared equally between the USA and Britain, which was also giving imperialist Japan support in the war against Russia.

A second loan for Japan was floated in New York and London in November 1904, the American share being oversubscribed several times over. In March 1905 a third loan of \$100 million was floated which was also successfully taken up; four months later a no less successful fourth loan was issued. It is significant that Germany also took part in this fourth loan, in addition to the USA and Britain. Although German diplomacy was outwardly on Russia's side, it was trying more and more to push Russia from Britain and draw her to its side in the complicated foreign policy and diplomatic struggle between the major imperialist powers that preceded World War I.

The main data on the foreign loans received by Japan during the war are shown in Table 2.6.

Table 2.6

Japan's Foreign Loans during the Russo-Japanese War, 1904-1905

Loan	Amount of issue		Commissions paid 000 yen	Amount actually received, 000 yen
	£000	000 yen		
First 6 per cent	10,000	97,630	3,417,050	86,834,171
Second 6 per cent	12,000	117,156	4,393,350	100,463,595
First 4.5 per cent	30,000	292,890	9,518,925	251,158,987
Second 4.5 per cent	30,000	292,890	9,518,925	251,137,817
Total	82,000	800,566	26,848,250	689,594,570

Source: Gotaro Ogawa. *Expenditures of the Russo-Japanese War* (OUP, London, 1923), p 68.

In spite of the sizeable commissions received by the American bankers, the foreign loans granted to Japan came then to a huge sum. The financial resources that Japan got through them was more than the total of all the domestic war loans floated within the country during the war.<sup>78</sup>

All these loans were of vast importance for Japan, whose financial and economic position became more and more difficult as the war proceeded. Of the total of roughly £80 million she received in foreign loans, around half was American capital. Allowing for the fact that her total war expenditure, according to the press, was 1,508,407,000 yen,<sup>79</sup>

<sup>78</sup> Gotaro Ogawa. *Expenditures of the Russo-Japanese War* (OUP, London, 1923), p 65.

<sup>79</sup> *Ibid.*, p 107.



the loans made by American monopolies would have covered at least 15 to 20 per cent of it. The American imperialists, of course, did not miss the chance to make solid profits thereby, which came to 6 per cent per annum. During the war the USA also delivered a great deal of materiel and food, which the Japanese army was experiencing an acute need for.

One can say without exaggeration that the American bankers, who were acting in full agreement with the then Administration, and with its encouragement, saved Japan from financial and economic collapse during the Russo-Japanese War, and in the final analysis from military disaster. It was not fortuitous that *The New York Times* wrote on 9 March 1910, five years after the war, 'that without the help of the United States the financial plans of Japan would have fallen through and she would have lost the war'.<sup>80</sup> The paper knew what it was saying. The double-dealing policy of the USA in respect of Russia at that time helped Japanese militarism consolidate itself in Korea, increase its penetration of China, and impose the unfair Treaty of Portsmouth on the czarist government, which was a sort of grimace of history. The statements by U.S. President Theodore Roosevelt that he wanted to reconcile both sides, allowing for the interests of both, were false through and through.

The United States' whole policy during the Russo-Japanese War confirms how hypocritical the Administration's statements were that the USA would be neutral in the event of a military conflict between Russia and Japan. The Russian Ambassador in Washington, A. P. Cassini, reporting the gist of his conversation with the U.S. Secretary of State, John Hay, to Petersburg literally on the eve of the outbreak of military operations, wrote:

When I broached the vital question what position the United States would take in the event of a possible conflict between us and Japan, Mr Hay replied that the Federal Administration had decided, after serious discussion of the matter, to maintain the strictest neutrality in the event of such a conflict.<sup>81</sup> Subsequent events proved that statements like Hay's were misinformation.

### 2.3. The expansion of American capital in China

American monopolies had long had their eyes on China, considering her a profitable field for the investment of capital and a profitable market for American goods. U.S. capitalists had repeatedly resorted to acts of direct aggression against her. In spite of the propaganda of supporters of the present line of U.S. foreign policy, who are trying to depict matters as if the USA had defended China when the interests of imperialist powers clashed there, American Big Business was the enemy of the Chi-

nese people even long before the United States had become an imperialist power.

At the beginning of the nineteenth century slick American merchants had already organised an extensive opium trade in China. The USA, operating together with British capital, was in fact co-partner in the aggressive actions against China in the Opium Wars waged by Britain against the Chinese people, and following Britain's example imposed a number of unequal treaties on China. It is well known that an American squadron was sent to the coasts of China then to help Britain. A former President of the USA, John Quincy Adams, declared *post factum*, in 1851, that Britain had every reason for declaration of war.

The USA endeavoured subsequently, with even greater energy, to infiltrate the economy of China, to squeeze out other capitalist countries, and grab more for herself. According to the frank statement of an American historian,

Economic and financial groups in the United States, looking beyond her borders for investments overseas, saw in China a profitable field for enterprise.<sup>82</sup>

Expansion into China was only one part, of course, of the USA's imperialist aspirations. Lenin made the following note when analysing J. Patouillet's book on American imperialism<sup>83</sup>: 'Hawaii is half-way between Panama and Hong Kong. The Philippines are a step towards Asia and China'.<sup>84</sup> He himself stressed the word 'China', thereby indicating the importance of that country for expansion of U.S. monopolies.

On the whole the history of relations between the USA and China is one of crude economic expansion of American capital into China, which at times had an aggressive character. This found expression primarily in the crippling treaties that were repeatedly imposed on her by the United States, like the treaty concluded in Wangxia in 1844, the Tientsin Treaty of 1858, and the protocol of 1901, also imposed on China under strong U.S. pressure after suppression of the Boxer Rebellion. By the first treaty the USA got extraterritorial rights in China, and the latter was deprived of customs autonomy. In order to get this treaty signed the American Special Envoy to China, Caleb Cushing said directly to the vice-regent of the provinces of Kwangtung and Kwangsi that it was possible that his Government would decide it necessary to force the Chinese nation again to experience the calamity of war.<sup>85</sup>

The second treaty provided for even deeper penetration of U.S. capital into China under the banner of 'most favoured nation' principle and imposed other crippling terms (increase in the number of open ports, protection for American missionaries, etc.). Finally, the protocol of 1901 laid an enormous contribution of 450 million liang (tael) on China,

<sup>82</sup> Edward H. Zabriskie. *Op. cit.*, p 33.

<sup>83</sup> Joseph Patouillet. *L'Impérialisme américain* (Petit Bourguignon, Dijon, 1904).

<sup>84</sup> See Lenin's Notebooks on Imperialism, *Op. cit.*, p 210; point cited from Patouillet, p 118.

<sup>85</sup> Qin Benli. *Istoriya ekonomicheskoi agressii amerikanskogo imperializma v Kitae* (History of the Economic Aggression of American Imperialism in China). Translated from the Chinese (Inostrannaya literatura, Moscow, 1951), p 27.

<sup>80</sup> Cited by Edward H. Zabriskie. *American-Russian Rivalry in the Far East. A Study in Diplomacy and Power Politics, 1895-1914* (Univ. of Penn. Press, Philadelphia, 1946), p 109.

<sup>81</sup> AVPR. Chancellery, file 129-I, 1904, sheets 23-24. Cassini to Lamsdorf, 31 December 1903 (13 January 1904).



not to mention the fact that the USA had already, together with her European imperialist partners, imposed several other crippling terms on China. Since the Chinese people were not in a position to pay the sum named, the foreign conquerors took it upon themselves to squeeze the reparations out of China, which led to an even bigger increase in the tax burden on the people. In a number of cases, when the taxes proved inadequate, China was granted crippling foreign loans in order to pay the reparations.

The expansionist U.S. policy found further expression in American capitalists' persistent attempts to get the building of railways and other undertakings in China into their hands, and to open the valves for wide investment of American capital in China. The terms imposed were motivated by a need to observe the 'open door' principle, which primarily suited the United States in the actual historical situation existing in the second half of the nineteenth century, especially at its end.

That was due (1) to the fact that spheres of influence in China had been shared out among the main capitalist countries before the USA entered the international scene as a Great Power, and (2) to the economic capacity of the United States, with her developed industry, to compete with other countries on the Chinese market.

American capitalists exerted no little effort to use the power of their industry, and the growing influence of the USA in international affairs, to infiltrate countries in Asia and the Far East. The speech of Theodore Roosevelt in San Francisco in 1903 was significant in that respect. Referring to U.S. expansion toward the Orient, he said:

The extension of the area of our domain has been immense; the extension in the area of our influence even greater. America's geographical position in the Pacific is such as to ensure peaceful domination of its waters in the future, if we only grasp with sufficient resolution the advantages of that position.<sup>86</sup>

That is how one of the major spokesmen of U.S. monopoly capital expressed himself. The ostentatious anti-trust legislation of his Administration went hand in hand with vigorous activity to clear the way for very broad injection of American capital into the countries of Asia and the Far East. Two years later he wrote:

I believe that our future history will be more determined by our position on the Pacific facing China, than by our position on the Atlantic facing Europe.<sup>87</sup>

While one can catch this servant of American capital out in the inaccuracy of his forecast (he had a poor command of the difference between words and the big stick in foreign affairs), it is only because the USA had turned her policy toward Asia and Europe; in both cases, however, it was expansionist.

The American monopolies' plans in relation to the countries of the Orient, especially China, gave them no peace. The importance of winning positions there was constantly stressed, which confirms how broad U.S. capital's plans of expansion were. The USA came up against rivals in China, as in other countries, that had already imposed a number of

crippling treaties on them, which explains the USA's relegation from advanced positions to secondary ones in some cases during the imperialist struggle for markets, spheres of investment, and repartition of the world. In spite of certain failures, however, the scale of U.S. economic penetration of countries in the Orient steadily increased.

All that confirms that views had already begun to be propagated in U.S. monopolistic circles that have something in common with the aggressive doctrine of modern American business, underlying which is the drive for world domination. Theodore Roosevelt's calls for the USA to take on the role of a factor supporting the 'world balance of power' were evidence of that. When trying to demonstrate the 'obsolescence' of the views of Washington and Jefferson, he declared:

We ourselves are becoming, owing to our strength and geographical situation, more and more the balance of power of the whole globe.<sup>88</sup>

The fight for the Chinese market that developed among the chief imperialist powers did not permit American business to realise several of its own plans as regards capital investment there, but a solution was found in the imperialist way, through an understanding of the USA, Britain, France, and Germany to found a banking consortium of the four powers. The USA was represented in this consortium, in fact, by the House of Morgan, which had warmed its hands more than once in its existence in business connected with international affairs. The USA exploited her membership of the consortium for broad economic penetration of China, grabbing railway building, reform of the monetary system, the building of enterprises in Manchuria, and so on. The revolutionary events of 1911 did not stop American efforts to penetrate ever deeper into the Chinese economy.

In supporting the reactionary forces in China, and operating as an enemy of the anti-imperialist movement there, the USA employed levers of economic pressure so as to keep people in power who would do deals with the imperialists (Yuan Shikai), and at the same time preserve opportunities for further political and economic expansion within the country. It was to that end that Yuan Shikai's government (he became President on 18 June 1912) was granted a 'big reorganisation loan' then by a consortium of six imperialist powers (the USA, Britain, France, Russia, Japan, and Germany), in which the USA played the chief role. The loan, whose main term was the granting of 'equal opportunities' in China to the USA, was rapacious for the Chinese nation and in fact put the country's economy under foreign control. Suffice it to say that the total of the loan was fixed by agreement at £25 million,<sup>89</sup> but China got only 33 per cent of that; the greater part was held back in the form of payments overdue on the reparations mentioned above, commissions, etc.<sup>90</sup>

The loan was not the only one that the USA employed to saddle dictated economic and political terms on China. Similar loans were granted repeatedly in the following years, the USA putting pressure on the

<sup>86</sup> Cited from Scott Nearing and Joseph Freeman. *Op. cit.*, pp 39-40.

<sup>87</sup> Cited from Tyler Dennett. *Roosevelt and the Russo-Japanese War* (Doubleday, Page & Co., New York, 1925), p 3.

<sup>88</sup> Tyler Dennett. *Op. cit.*, p 1.

<sup>89</sup> See Qin Benli. *Op. cit.*, pp 50-51.

<sup>90</sup> *Ibid.*, p 51.



Chinese government, depending on the situation either alone or jointly with other imperialist powers when their interests essentially coincided.

As World War I approached, and during it, when the big European powers were mainly occupied directly with European affairs, the USA began to come more and more to an understanding with militarist Japan. Such was the policy of American imperialism in relation to Korea, which had long been considered a door into China; such too was its policy in regard to China herself. A typical example of the understanding with Japan was the Lansing-Ishii Agreement of 2 November 1917, concluded behind China's back, which directly stated:

The Governments of the United States and Japan recognize that territorial propinquity creates special relations between countries, and, consequently, the Government of the United States recognizes that Japan has special interests in China, particularly in the part to which her possessions are contiguous.<sup>91</sup>

The agreement was thus an imperialist deal at the expense of China that gave Japanese capital a better chance of political, economic, and military expansion there. In exchange for services rendered to Japan by the United States the former in turn agreed that she would follow the principle of 'open doors and equal opportunities in commerce' in her relations with China. We would also stress that American imperialism's economic expansion in China was closely interlocked with direct aggression against her. The USA did not stop at using military force or threats of it (as happened, for example, during the Boxer Rebellion in 1900), not to mention attempts to seize the island of Taiwan from China, which the USA had tried to do several times in the nineteenth century.<sup>92</sup>

As a rule warships followed dollars in the form of direct investments in the Chinese economy, loans, etc. Depending on the situation either the dollars paved the way for direct military aggression or the warships forced China at gunpoint to accept the enslaving economic terms imposed on her by American capital, all of which shows that U.S. policy in regard to China has something in common with the aggressive, predatory policy pursued by the USA from almost the beginning of her existence as an independent state. The historical facts tear to pieces the statements of those American historians, economists and sociologists, who spread the legend that relations between the USA and China were characterised by 'traditional friendship', and that the USA always sought to see China united and independent. An example of such a distortion of the historical facts is the work of the American historian Achille Viallate who claims that Woodrow Wilson, when refusing, after taking office as President in 1913, to sanction American bankers' participation in the Six Power Financial Consortium mentioned above, was motivated by a desire to prevent those powers' interference in China's

internal affairs.<sup>93</sup> The same idea is repeated by other American falsifiers of the historical facts.

The USA in fact not only did not weaken her efforts to penetrate China but on the contrary operated even more energetically in that direction during the war. This is evidenced, for example, by the fact that U.S. exports to China were almost three times as big in 1919 as in 1899, while the number of American plants and firms in China increased from 70 in 1913 to 130 in 1919.<sup>94</sup>

<sup>93</sup> See Achille Viallate. *Economic Imperialism and International Relations during the Last Fifty Years* (Macmillan, New York, 1923), p 89.

<sup>94</sup> See Qin Benli. *Op. cit.*, p 69.

<sup>91</sup> See *Papers Relating to the Foreign Relations of the United States, 1917* (U.S. Govt. Printing Office, Washington, D.C., 1926), p 264. Cited from Qin Benli. *Op. cit.*, p 54.

<sup>92</sup> See Tyler Dennett. *Americans in Eastern Asia. A Critical Study of the Policy of the United States with Reference to China, Japan and Korea in the 19th Century* (Macmillan, New York, 1922), pp 286-287.



## THE AMERICAN FOREIGN INVESTMENTS DURING WORLD WAR I AND THE POSTWAR SETTLEMENT

### §1. American war loans

World War I gave a powerful impulse to further U.S. economic expansion. The USA entered the war in April 1917, more than two and a half years after its outbreak. The reasons for that lay in the determined anti-war movement in the USA and in a purely economic calculation (American monopolies were waxing rich on military supplies for the belligerent countries).

What that meant for American industry is clear from the following facts cited by Lenin:

Fifty-seven U.S. factories are engaged exclusively in armaments production. They normally employ about 20,000 workers, but now, working two and three shifts, the number is about 50,000. They do not make explosives. These are produced at about 103 factories, whose output has doubled since the outbreak of the war. Many gun-cotton factories are working three shifts.<sup>1</sup>

When we remember that the increase in production went hand in hand with a considerable rise in prices, there is full justification for the statement Lenin took from the *Neue Zürcher Zeitung*: 'For America, the European war means a vast, profitable business.'<sup>2</sup>

American monopoly capital, while proclaiming devotion to lofty ideals and affirming in particular that the aim of U.S. entry into the war was to make the world safe for democracy, was pursuing quite concrete, selfish goals. Evidence of that is the cable sent by Walter Page, the U.S. Ambassador in London, to President Wilson a month before the USA entered the war:

It is not improbable that the only way of maintaining our present pre-eminent trade position and averting a panic is by declaring war on Germany.<sup>3</sup>

The reason for 'anxiety' was that by 1917 France and Britain had been seriously weakened, Russia had already dropped out of the war, and the prospect of doing business with a victor in the person of German imperialism was unattractive to the USA. American imperialists, finding a suitable pretext, plunged the country into the war. They had already garnered a rich harvest of profits and aspired to increase it and to defend their strengthened position by economic and political means.

In entering the war, U.S. monopolies thus differed in nothing essential from their European confrères, because (as Lenin said) the first imperialist war of 1914-1918

<sup>1</sup> Extract from the *Neue Zürcher Zeitung* (23 April 1915) (taken from an American newspaper) in Lenin's Notebooks on Imperialism. *Collected Works*, Vol. 39 (Progress Publishers, Moscow, 1976), p. 319.

<sup>2</sup> *Ibid.*

<sup>3</sup> Cited from W. Z. Foster. *Outline Political History of the Americas* (International Publishers, New York, 1951), pp. 362-363.

was the inevitable outcome of ... domination by the capitalist monopolies, of this great power wielded by an insignificant number of very big banks—two, three, four or five in each country. This war was waged for the repartitioning of the whole world. It was waged in order to decide which of the small groups of the biggest states—the British or the German—was to obtain the opportunity and the right to rob, strangle and exploit the whole world.<sup>4</sup>

The U.S. monopolies, waxing rich on war, were also staking their claims to a 'right' to rob, stifle, and exploit the peoples of other countries.

The loans and credits, granted to the Allied countries of Europe on a broad scale by the USA, served as a most important lever of U.S. expansion and played a decisive role in financing World War I; later the problem of the war debts arising from this was also exploited for expansionist aims.

The war created a huge demand for American goods, in particular for armaments proper and all kinds of military materiel. Since the Allies paid nothing for these munitions, there was a great demand on their part for American credits, the receipt of which in the period between 1915 and 1920 made all the main European countries belonging to the coalition debtors of the United States. The biggest credits were received during the war by Great Britain, France, and Italy.

The so-called American war loans were granted to the Allies after the United States' formal declaration of war. Their total during the war came to \$8,839,600,000.<sup>5</sup> That sum does not include the loans granted in 1919-21 and usually counted in the total of Allied war indebtedness to the United States. According to the figures at the middle of 1921 the total of American war loans was \$11,085,000,000. The Allies' debts to the United States thus are divisible into two categories: war debts proper, and loans granted as 'relief' after the war.

World War I led to the majority of European states, especially Great Britain and France, being entangled in debt as a result of the loans received from the USA. John Maynard Keynes' computations of the inter-Allied indebtedness arising from war needs are interesting in this respect (see Table 3.1). They are incomplete, but very well describe the structure of the indebtedness and the conversion of the USA into an important international creditor.

Czarist Russia needed loans in view of her big obligations to Britain and France because of her trade deficit. Even before the war the czarist government had been borrowing abroad so as to pay the interest on old debts. The situation became even more complicated during the war, since 45 per cent of Russia's prewar exports had gone to Germany and other countries in Central Europe that she was now fighting, while 90 per cent of her foreign debt was with her Allied states. That meant that

<sup>4</sup> See Lenin's Report on the International Situation and the Fundamental Tasks of the Communist International to the Second Congress of the Communist International, July 19-August 7, 1920. *Collected Works*, Vol. 31 (Progress Publishers, Moscow, 1977), pp. 216-217.

<sup>5</sup> R. W. Dunn. *American Foreign Investments* (B. W. Huebsch and the Viking Press, New York, 1926), pp. 4-5.



Table 3.1

Inter-Allied Indebtedness for World War I, 1914-1918  
(£ million)

Loans borrowed by	From the USA	From the U.K.	From France	Total	Loans borrowed by	From the USA	From the U.K.	From France	Total
Great Britain	842	—	—	842	Belgium	80	98	90	268
France	550	508	—	1,058	Serbia and other lands	20	20	20	60
Italy	325	467	35	827	Other Allies	35	79	50	164
Russia	38	568	160	766					
Total						1,900	1,740	355	3,995

*Note:* Keynes made a number of reservations in adducing these figures. In particular he said: 'The figures in this table are partly estimated, and are ... approximate' (p 253). They did not, for example, include loans floated by Britain on the U.S. market, 'and loans raised by France on the market in the United Kingdom or the United States, or from the Bank of England' (p 254). Keynes quite justifiably considered that the real total owed to the United States was (and in fact exceeded) £2,000 million. The U.S. and French loans, made in dollars and francs respectively, Keynes converted into sterling at approximately par rates.

*Source:* John Maynard Keynes, *The Economic Consequences of the Peace* (Macmillan & Co., London, 1920), pp 253-254.

the only way she could cover prewar indebtedness was by new foreign loans.

France and Britain were in urgent need of loans to buy arms and munitions since their home production was insufficient to supply their armies with everything they needed. Italy and the small countries found themselves in a grave position after their entry into the war on the side of the Allies. How serious the position of Italy's finances was can be seen from the fact that she made her entry into the war conditional on receiving credits.

Not one of the Allied countries had a gold reserve at its disposal to buy the munitions it needed abroad. Great Britain and France, it is true, had big overseas investments and consequently considerable securities that could be used to pay for the purchases in the United States. Britain did make use of them, but that was not a radical solution of the problem. It could not be Britain's way out because she had been forced in turn to grant loans and credits to the other Allies, and their total in the first three years of the war came to more than that of the loans and credits she received from the USA.

France's position was even more complicated. The industrial eastern areas of the country had been occupied by German armies, which sharply reduced her industrial and export resources. As for her foreign investments, most of them were in countries in Central and Eastern Europe and the Near East. They could not, consequently, be used to pay for purchases of munitions abroad. Thus France, like Britain, experi-

enced an acute need for foreign loans to finance her purchases abroad. And, one must add, France, like Britain, had been forced in turn to grant credits to certain Allied countries, which increased her need for foreign loans even more.

All that led to a situation that, when the United States decided to grant loans on a big scale to the Allied countries, especially after her formal entry into the war, the American loans received by Britain, France, and Italy came to billions. Other Allies also received considerable sums.

Before U.S. entry into the war, however, Britain had been the main creditor in the Allied camp, although she herself had obtained private American loans to the tune of \$ 1,065,000,000. France, while Britain's debtor, was at the same time a creditor of Russia, Belgium, Serbia, and Greece. Both Britain and France were borrowing from neutral countries during the first two years of the war, above all from the USA, through various private banking groups. France got loans of that kind to a total of \$514 million. Britain and France received \$500 million from private U.S. sources in 1915 jointly and on a parity basis. The czarist government of Russia also got loans of \$136 million from the USA. These sources were inadequate, however, even for Britain with her large overseas investments. The gold reserve of the Bank of France was not more than \$840 million, that of the Russian bank \$750 million. The Bank of England was even smaller.

After the United States' declaration of war she became the main banker of the Allied coalition. Out of the total war credits granted to Allied countries by the USA before the Armistice (11 November 1918), \$7 billion was expended on purchases of arms and other munitions in the USA. The rest was used by the Allies after the cessation of hostilities. The Allied states, moreover, had obtained an additional \$3,085 million between the Armistice and 2 July 1921 in the form of the 'relief' credits already mentioned—the sum obtained from the sale of U.S. war surpluses in Europe, previously intended for the army. These additional credits were usually pooled with the loans received from the U.S. government during the war under the general heading of 'war loans', because, under a decision of the Congress of 24 October 1917, government loans could only be granted to foreign countries until the end of hostilities with Germany, which date, by its terms, was to be named in a special proclamation of the President's (which was made on 2 July 1921, i.e. two years and a half after the actual cessation of hostilities).

That is how the governmental war debts of the Allies to the new international banker, the United States, were formed, debts that (as already mentioned) exceeded \$11 billion in the middle of 1921. This sum constituted more than half of the total inter-Allied debts (including the mutual indebtedness of the other Allies) which came to more than \$20 billion.

As for the sources of the U.S. war loans to European countries, they were usually granted by the U.S. government, and only a relatively small proportion came from private sources. Out of the total of



\$8,839,600,000 already mentioned, \$7,319 million was directly granted by the U.S. government.

The granting of these war loans during the war had been accompanied by a buying up by Americans securities held by foreigners who had earlier invested their capital in various sectors of the U.S. economy, mainly in railroad companies. In the general situation during the war years, according to the American economist R.W. Dunn, at least \$2,000 million of American securities previously held abroad were returned and bought up by Americans, mainly private banks.<sup>6</sup> According to the figures quoted by another American economist, D. R. Crissinger, the total value of the securities bought back from foreign holders was about \$3 billion, 'probably two-thirds' of such securities.<sup>7</sup>

This shows that there was a huge outflow of foreign capital from the USA during the war, due to the Allied countries' need for dollars to pay for American supplies. This need was particularly acute in the early period of the war when the question of big governmental war loans to the Allies had not yet been solved.

The war thus led to two important changes in the economic relations between the USA and the other big capitalist states, above all Great Britain.

(1) It put nearly a score of countries, including Britain and France, into financial dependence on the USA, with all the political and economic consequences of that.

(2) It sapped the strength and influence of foreign capital in the American economy. Although foreign capital tried to strengthen its position in the USA once more after the war (especially British capital), it could no longer manage to do so. Its weight in the American economy in the new conditions, when the USA and Britain had switched the roles as world exporters of capital, was steadily diminishing. The volume of foreign investment in the USA (according to the official American statistics) fell from \$7.2 billion (in the middle of 1914) to \$4.0 billion in 1919 (or nearly halved). The total foreign long-term investment in the USA fell from \$6.7 billion to \$3.2 billion in the same period, including direct investment reduced from \$1.3 billion to \$900 million. Whereas the USA had still been a debtor in 1914, importing \$3.7 billion more capital than she exported, she emerged from the war a net exporter, with an active balance of \$3 billion.<sup>8</sup>

The war had another important economic consequence, going beyond the content of U.S. relations with the other chief capitalist countries. Because the European powers had naturally put their resources primarily to meeting war needs, so that their economic ties with other countries were weakened, the USA did not fail to exploit the situation in order to consolidate her economic position in those countries and regions to which British, French, German, and Belgian capital had gone. The war opened the sluice-gates, as it were, for broad export of Ameri-

<sup>6</sup> R. W. Dunn. *Op. cit.*, pp 4-5.

<sup>7</sup> See *Economic World* (New York), 1922, 24: 413. Cited by R. W. Dunn. *Op. cit.*, p 5.

<sup>8</sup> See *Survey of Current Business*, May 1954, 34, 5: 10.

can capital to countries in Latin America and Europe, and to Canada (especially in the early postwar years), which led—and could not help leading—to an immense strengthening of the USA's position in their economies and a weakening of the influence of other states. U.S. capital investments in Latin American countries rose by 40 per cent between 1914 and 1919, in Europe by 180 per cent, in Canada by 70 per cent, in Africa by 130 per cent and in Australia and Oceania by 30 per cent.<sup>9</sup>

According to the official data of the U.S. Department of Commerce, American foreign investments nearly doubled during World War I and totalled \$9.7 billion in 1919, against \$5.0 billion in 1914 (see Table 3.2).

Table 3.2

U.S. Foreign Investment Position, 1914-1919  
(\$ billion)

	1914* (at June 30)	1919
Total	5.0	9.7
Private, total	3.5	7.0
long-term	3.5	6.5
direct	2.7	3.9
other	0.8	2.6
short-term	—	0.5
Government, total	1.5	2.7

\* U. S. statistics include gold and foreign exchange reserves in the figures on American foreign investments, starting from 1914.

Sources: *Historical Statistics of the United States, Colonial Times to 1970*, Part 2 (U.S. Govt. Printing Office, Washington, D.C., 1975), p 869; *Survey of Current Business*, 1954, 34, 5: 10.

The main burden of the high taxes and redemption of the billions of the internal loans, floated by the government to provide funds for the belligerent Allied powers, fell on American workers, employees, and farmers, while the monopolies were pumping unheard-of profits into their coffers. When we add the concealment of the big corporations' and firms' incomes to evade income tax, and the corruption in the U.S. government machinery (the facts about which became known after the war), it is clear why only a small part of the profits of the American financial oligarchy went to meet war expenditure, and ultimately came back to them as proceeds from war supplies for both European countries and the U.S. army.

The major monopolies and banks got new chances, unprecedented before the war, to export private capital in the form of direct investments

<sup>9</sup> Calculated from Cleona Lewis. *America's Stake in International Investments* (The Brookings Institution, Washington, D. C., 1938), p 606.



as well, despite being held back at first by the government in relations with the debtor countries. During the war and early postwar years, until the economic disruption and inflation in European countries temporarily weakened American imperialism's interest in exporting capital to them, a mood prevailed in the USA that the huge war loans and credits would be followed for a long time by an increased flow of private capital to the Allied European countries. Subsequent events demonstrated, however, that, in spite of the calculations of U.S. ruling circles, the economic state of many of them was such that new American government loans and credits were needed in order to 'revive' their economies. So a period of 'reconstruction and relief loans' from the United States set in.

Stabilisation of the currencies of a number of European countries, characteristic of the period of partial stabilisation of capitalism, was put on the agenda by the whole course of postwar events. In the early period after the end of the war inflation was profitable to the bourgeoisie of the West European countries, since it helped them rob the working people through a lowering of real wages and increased the profits of the capitalist monopolies. Later, however, when inflation began to be a serious threat to the whole economy of capitalist countries and when the economic disruption and disorganisation of the credit and market relations between countries furthered a greater revolutionising of the situation, which had been radically altered by victory of the Revolution in Russia and the subsequent powerful upsurge of the revolutionary movement throughout the world, the ruling circles of these countries, guided by a sense of class self-preservation, began to take measures to consolidate their currencies.

The United States, too, had an interest in that, having realised that European countries' paying off of the war debts was very problematical and that the greater their economic disruption, the less chances there were of the debts being repaid. Hence the vigorous activity developed by U.S. ruling circles and their European debtors in 1920-23 to strengthen the economies, and especially the currencies, of the European countries.

The position of Germany, as a defeated country, presented special difficulty. The depreciation of her currency, and equally the general economic disruption, reached an unheard-of scale. That is clear from the fact that the purchasing power of the mark had fallen from its prewar level by a factor of 1.5 trillion ( $10^{-12}$ ) and the amount of paper money in circulation was 496 quintillion ( $10^{18}$ ).<sup>10</sup> The extent of the revolutionary movement in Germany forced the ruling circles of the USA, Britain, and France to look for radical ways of stabilising the position there, in particular of the currency.

The USA, moreover, had her own special reasons for looking for means to stabilise Germany's economic and financial position.

<sup>10</sup> See N. N. Lyubimov. *Mezhdunarodny kapitalistichesky kredit—orudie imperialisticheskoi agressii* (International Capitalist Credit as an Instrument of Imperialist Aggression), Gosfinizdat, Moscow, 1951, pp 17-18.

(1) The USA had not lost hope of getting the European countries to repay their war debts. Her debtors, on the contrary, had been cold to the idea from the very beginning, pointing out that the huge war credits and loans had been received by them from the USA as an Allied Power and, consequently, could not be recalled on usual commercial basis. In other words, the United States was given to understand that the European Allies did not in general want to pay off their borrowings of wartime.

When it became clear that ruling American circles did not intend to back down from their demands for payment of the debts and that they put their own vested interests above the sentimental motives of a 'community of interests' and 'brotherhood in arms' in the war against Germany, put forward by the West European Allies, Britain, France, and other debtors of the USA made their repayment of the war debts depend on Germany's payment of reparations to them, reparations provided for by the Versailles Peace Treaty.

(2) The Anglo-American bourgeoisie, above all the American imperialists, moved by hatred of the young socialist state, already had certain far-reaching plans in relation to Germany (and this is the main point), which were to revive German militarism as their ally and push it against the Soviet Union.

How U.S. ruling circles exploited the war debts question in order to revive German militarism is considered separately in Chapter 4. In this chapter we are dealing with the methods resorted to by American monopolists to exploit the war indebtedness of at least a score of countries for their own expansionist aims during the war and early postwar years. In other words, we are concerned here with the United States' exploitation of the war debts and 'reconstruction and relief' loans, in the period before 1924-2, as economic and financial levers of expansion. The plans of American monopolies, striving for world domination, had already been clearly revealed then, plans that later became the official doctrine of those forces in the U.S. who prefer the arms race and intensification of international tension to peaceful coexistence of states.

The aims that U.S. ruling circles had linked with the granting of financial aid to the Entente countries and other Allies during the war can be readily seen from how they were preparing the granting of the war loans. Even well before the USA's entry into the war, the biggest American monopolistic groups—Morgan, Rockefeller, etc.—spared no effort to convince President Wilson of the need to permit the banks to make loans to the European Allies. Throughout 1914, 1915, and 1916 they were waging a continuous campaign through the American press they controlled for extending loans to those countries.

A well-known representative of American finance capital, Morgan's partner Thomas Lamont, had outlined the attitude of U.S. banking circles to the war in Europe in a speech in April 1915 to the American Academy of Political and Social Science at Philadelphia. In this speech, which was not then brought to the attention of broad strata of the American people, he did not hide that the financial bourgeoisie of the USA



was interested from 'commercial considerations' in continuing the war, i.e. in order to make profit. He painted a perspective for those present of the conversion of the USA into the world banker through the expected increase in American exports to Europe.

According to Lamont, the United States could, in the case of a protracted war, 'buy back American securities still held by foreigners', and so free herself from the need to remit 'abroad vast sums every year in the way of interest'. He called for the United States to become a major creditor of foreign governments and, by exploiting the war situation, to win markets for the export of American capital in Latin America and other regions of the world.<sup>11</sup>

Lamont and other members of American financial circles insisted that the loans of \$200 million made to foreign Allied governments up to April 1915 were inadequate, and that more resolute steps were needed in that direction. Such steps were soon taken. In October 1915 a syndicate of the leading banks, headed by Morgan and his partners, made loans of \$500 million, with the President's permission, after which further loans followed, increasing the indebtedness of the Allies to American banks to \$1,500 million at the beginning of 1917.<sup>12</sup> The loans made by the private banks again, however, proved inadequate, and the position of the Allied Powers had deteriorated, so that new, much more resolute measures were called for. The position altered sharply with the USA's entry into the war.

Historians, economists, and the various commissions set up in the USA to investigate abuses by American Big Business during the war, when analysing the causes for the USA's entry into the war, have rightly assigned an important place to Ambassador Page's cable to President Wilson of 5 March 1917, mentioned above. In this message, which was kept secret from the public, Page (who was a creature of Rockefeller's) not only called for a declaration of war against Germany, but also linked that with the granting of new American credits to the Allies, pointing out that

the pressure of this approaching crisis has gone beyond the ability of the Morgan Financial Agency for the British and French Governments. The need is becoming too great and urgent for any private agency to meet.<sup>13</sup>

Page's call, like that of Morgan's partner Lamont in 1915, throws light on the motives that guided U.S. ruling circles, when extending war loans to the Allies, and on the aims they were aspiring to, when they turned their economic might and military resources to the advantage of one of the imperialist groupings.

Furthermore, President Wilson himself openly declared, on 5 September 1919, according to a report in *The New York Times*, that World War I had been an 'industrial and commercial war' for the United States. According to the official data, American monopolies' profits came to at least \$38 billion to \$40 billion during the war.

<sup>11</sup> See *Annals of the American Academy of Political and Social Science*, 1915, 60, 7: 106-112. Cited from Ferdinand Lundberg. *America's 60 Families* (Halcyon House, New York, 1940), p. 139.

<sup>12</sup> See F. Lundberg. *Op. cit.*, p. 140.

<sup>13</sup> Cited from F. Lundberg. *Op. cit.*, p. 141.

It was typical of U.S. loans and credits that their terms were in fact dictated by one party, the United States. That is particularly true of the big government loans that followed the private ones extended to Britain by Morgan and certain other American bankers. (1) A quite high rate of interest was charged. (2) The Allies were to spend the whole sums lent solely to buy American arms and munitions. (3) The loans were to be repaid in gold and not in goods.

The granting of the loans led immediately to a vast growth of American exports, to an increase of industrial production, unprecedented even for the USA, and to an extension during the war of opportunities for marketing U.S. goods. The terms subsequently greatly complicated solution of all the problems of the war debts, arising from them, especially because the debts could not be met by goods, while their discharge by gold was ruled out by the very difficult economic and financial conditions in the European countries and their lack of the necessary gold reserves.

The United States posed the matter of payment of the debts immediately after the war. The American demand was simple: the Allies must pay off the war debts on normal commercial terms without discounts of any kind or rebates of either the principal or the interest. The only points subject to closer definition, from the American standpoint, were the dates of final repayment and when repayment would begin. The governments of the countries entangled by the American war loans expressed the hope that, if the USA would not agree to write off the whole of their indebtedness, she would in any case reduce the sums due. The facts, however, indicate that the USA had no such ideas, and was insisting on repayment in full. As a result long negotiations followed between the U.S. government and the governments of the debtor countries, mainly that of Great Britain.

It became clear right from the start of the negotiations that the question of war debts was interwoven with another important issue, viz., reparations from Germany. The British government immediately declared that it considered that the three main economic problems that were consequences of World War I were closely linked: (1) American war loans and credits; (2) the so-called inter-Allied loans as a whole; and (3) reparations from Germany.

The United States continued to insist on her position during the negotiations and only agreed to postpone payment of interest on the debts until the matter of their repayment as a whole was settled. The USA agreed to that, incidentally, only after the debtor countries faced the creditor with the fact that they had stopped paying interest because of the USA's ceasing to grant new loans, by which the interest had previously been met.

The U.S. aims, now that the USA had become a world banker, were thus made quite clear in the very first years after the war. In order to realise her expansionist plans, she was then resorting to crude forms of pressure on countries that had fallen into debt bondage. Almost immediately after the roar of the guns had ceased on the battlefields, the USA converted the issue of the war debts into one of the most intricate inter-



national problems that took first place, along with reparations, in international politics.

There are many facts showing how the American monopolies exploited the debts issue when realising their expansionist plans, underlying which was the design to revive militarist Germany.

Even before the end of the war the USA had given it to be clearly understood that she did not intend to grant the Allies any concessions on the loans, and that she wished to exercise her right as creditor to the full, guided by her own vested interests. The following curious incident was reported by *The New York Times* on 2 February 1925: during the discussion in December 1917 in the Inter-Allied Council on War Purchases and Finance on the granting of loans to Greece, the American member of that body, Oscar T. Crosby, frankly stated that he was empowered to discuss that matter of granting ordinary loans without discounts or rebates of any kind and without allowing for the fact that the USA was in the war in the same camp with the Entente countries and their Allied states. His statement was made in the name of the U.S. government in reply to the Greek representative's question about how the loans being extended recently to Greece were to be regarded, and to his comment that the matter of repayment should be reviewed in the light of the ending of the war.<sup>14</sup>

In fact the USA did not even want the settlement of the debts to be made the subject of discussion with her Allies. On a proposal by the French Minister of Finance M. Klotz, with which the British government associated itself, that the matter of the war debts should be subject to joint consideration, Crosby frankly said that he was not empowered to discuss the matter.

The Allies' attempts to get the debts discussed at the Paris Peace Conference in 1919 were also not successful. The point was not even put on the agenda, in spite of the efforts of the British, French, and especially the Italian spokesmen. President Wilson did not want to hear mention of it, while the Secretary of the Treasury, Carter Glass, firmly replied to a written appeal by the French spokesman Edouard de Billy that the debt question should not be discussed at the Conference or during the Conference, even separately from other matters. That was the voice of a country that wanted to command and not to discuss the issue even with her allies.

The British proposal made early in 1920 for full cancellation of Britain's war debt liabilities got no better a reception. The U.S. Secretary of the Treasury David F. Houston declared in his message of 1 March 1920 to the corresponding appeal of the British Chancellor of the Exchequer Leffingwell, of 9 February, that adoption of the British proposal was out of the question, and even threatened that the European countries would not receive another dollar in supplementary credits if they repudiated their obligations to the United States.<sup>15</sup> Houston, a spokesman of American business, concluded his reply to

<sup>14</sup> See Harold G. Moulton and Leo Pasvolksky, *War Debts and World Prosperity* (The Century Co. for the Brookings Institution, New York, 1932), p. 53.

<sup>15</sup> *Ibid.*, p. 62.

the plea of the USA's British partner in the war to forget the debts in order to strengthen the 'hope and confidence' of the European nations, as follows:

It is very clear to me, however, that a general cancellation of inter-governmental war debts irrespective of the positions of the separate debtor governments is of no present advantage or necessity. A general cancellation as suggested would, while retaining the domestic obligations intact, throw upon the people of this country the exclusive burden of meeting the interest and of ultimately extinguishing the principal of our loans to the Allied governments. This nation has neither sought nor received substantial benefits from the war. On the other hand, the Allies, although having suffered greatly in loss of lives and property, have, under the terms of the treaty of peace and otherwise, acquired very considerable accessions of territories, populations, economic and other advantages. It would, therefore, seem that if a full account were taken of these and of the whole situation there would be no desire nor reason to call upon the government of this country for further contributions.<sup>16</sup>

As is seen from his reply, the U.S. government, and the American monopolies backing it, took the 'lofty motives' their debtors spoke about into account least of all. They simply gave their authors once more to understand that, since the European Allies had profited from the territory, populations, etc., they had acquired, the USA must receive her mite in another form. The attempts of Britain, France, and the other Allies to link settlement of their war debts to the USA in some way or other with settlement of the inter-Allied debts as a whole, and with Germany's payment of reparations, did not help matters forward.

Lloyd George, the British Prime Minister, made no headway on settlement of the debts issue either, after his exchange of letters with President Wilson (5 August and 3 November 1920). He tried to make repayment of the debts to the USA depend on Germany's payment of reparations. He also tried to link settlement of the inter-Allied debts between the European countries with solution of the question of the war debts owed to the USA. He declared that Britain could not renounce the sums owed to her by France if this settlement was not treated as part of the settlement of the general issue of inter-Allied debts. He frightened Wilson with a prospect of a deterioration of relations between Britain and the USA, and said that

*British public opinion would never support a one-sided arrangement at its sole expense, and that if such a one-sided arrangement were made it could not fail to estrange and eventually embitter the relations between the American and the British people with calamitous results to the future of the world.*<sup>17</sup>

Wilson, of course, did not agree with the British Premier's arguments and again said that the U.S. Administration still did not intend to retreat from its position. The reply was in essence a reproach to the British government for renewing attempts to obtain concessions from its Transatlantic partner in the war, in spite of the fact that the USA's position had been repeatedly stated. Wilson's reply to Lloyd George said:

The United States government by its duly authorized representatives has promptly and clearly stated its unwillingness to accept such suggestions each

<sup>16</sup> *Ibid.*, p. 64.

<sup>17</sup> David Lloyd George, *The Truth about Reparations and War-Debts* (Heinemann, London, 1932), pp. 108-109.



time they have been made and has pointed out in detail the considerations which cause its decision. The views of the United States government have not changed, and it is not prepared to consent to the remission of any part of the debt of Great Britain to the United States. Any arrangements the British government may make with regard to the debt owed to it by France or by the other Allied governments should be made in the light of the position now and heretofore taken by the United States, and the United States, in making any arrangements with other Allied governments regarding their indebtedness to the United States (and none are now contemplated beyond the funding of the indebtedness and the postponement of payment of interest), will do so with the understanding that any arrangement would not affect the payment in due course of the debt owed the United States by Great Britain. It is felt that the funding of these demand obligations of the British government will do more to strengthen the friendly relations between America and Great Britain than would any other course of dealing with the same.<sup>18</sup>

Wilson also did not agree with Lloyd George's conceptions about the need to treat the matter of the Allies' indebtedness to the United States together with the question of reparations from Germany. His reply also said:

This government has endeavoured heretofore in a most friendly spirit to make it clear that it cannot consent to connect the reparation question with that of inter-governmental indebtedness.<sup>19</sup>

It concluded with a clearly expressed threat of the rise of 'a dangerous misunderstanding', as follows:

Unless arrangements are completed for funding such loans, and in that connection for the deferring of interest, in the present state of opinion here there is likely to develop a dangerous misunderstanding. I believe it to be highly important that a British representative with proper authority proceed to Washington without delay to arrange to carry out the obligation of the British government.<sup>20</sup>

We have cited these extracts from the letters exchanged in 1920 by the heads of the American and British governments in order to illustrate how the USA, right from the start, stubbornly declined to put an end to the war debts issue and stuck to her position with bulldog determination. She treated her partners in the war, who had fallen into debt to her, unceremoniously.

Characteristically, Lloyd George did not cite a significant part of Wilson's reply in his book mentioned above (obviously written to exonerate himself and the British government and to blame Washington). The passages that would sound insulting to Englishmen are omitted. The U.S. Congress, wishing to stress its firmness on the debts issue, set up a special World War Foreign Debt Commission in February 1922, which included the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, and two representatives of the Congress (a Senator, and a member of the House of Representatives).

It became clear to the USA's Allies in the war, especially after the Brussels International Financial Conference (1920) and the Genoa Economic and Financial Conference (1922), which yielded no results as regards normalising international credit, that their hopes of any real concessions by the USA on this issue were without grounds. As

<sup>18</sup> Cited from H. G. Moulton and L. Pasvolsky. *Op. cit.*, pp 68-69.

<sup>19</sup> *Ibid.*, p 68.

<sup>20</sup> *Ibid.*, p 69.

a result, the British government was forced to reach agreement with the USA. The United Kingdom agreed to repay her debt, which came to \$4,600 million at the end of 1922, over 62 years, with interest at 3 per cent per annum until 1932 and  $3\frac{1}{2}$  per cent per annum over the next 52 years.<sup>21</sup> This laid the basis for corresponding agreements with the other debtor countries, as a result of which a number were signed.

As was to be expected the agreements were all based on the American demands. Any differences related mainly to the rate of interest and term of repayment by year.

Between 1923 and 1926 agreements were signed by 13 of the states counted as debtors of the USA at the time of the negotiations on settling the debts (without the USSR, which cancelled all debts of the previous governments and freed the Soviet people from the heavy burden of paying them off). No agreement was signed with Greece then, whose government was still not recognised by the United States (an agreement was signed in 1929), and with Cuba and Nicaragua, whose indebtedness to the USA was already then considered settled by them. In addition the USA did not demand the signing of an agreement with Liberia since the American Congress had then granted that country a new loan, repayment of which was also considered to cover her old indebtedness. An agreement was signed with Austria only in 1930.<sup>22</sup>

<sup>21</sup> *Ibid.*, pp 84, 91.

<sup>22</sup> Let us recall the indebtedness of the different countries to the United States (in thousands of dollars):

Table 3.3

Total Principal and Interest to Be Paid  
to the USA by 15 War Debtors

Country	Principal	Interest	Total
Austria	24,614	—	24,614
Belgium	417,780	310,050	727,830
Czechoslovakia	115,000	197,811	312,811
Estonia	13,830	23,877	37,707
Finland	9,000	12,695	21,695
France	4,025,000	2,822,674	6,847,674
Great Britain	4,600,000	6,505,965	11,105,965
Greece	32,467	5,623	38,090
Hungary	1,939	2,815	4,754
Italy	2,042,000	365,677	2,407,677
Latvia	5,775	10,015	15,790
Lithuania	6,030	9,039	15,069
Poland	178,560	303,114	481,674
Romania	44,590	77,916	122,506
Yugoslavia	62,850	32,327	95,177

The total of the debts shown in the Table came to \$22,259 million, including \$10,679 million in interest payments. (H. G. Moulton and L. Pasvolsky, *Op. cit.*, p 91).



## §2. Financing the 'export of counter-revolution'

The reactionary aggressive essence of U.S. imperialism, enriching itself during the war years, was revealed particularly clearly in the granting of American loans to finance the Russian counter-revolution.

U.S. ruling circles demonstrated their extreme hostility to the Soviet state not just as an organiser and participant in intervention in Russia, but also as a creditor of the White Guards, who did not spare funds to finance the Russian counter-revolution. Here are some historical facts which the Soviet people cannot forget.

Out of the total of \$10 billion granted to her Allies by the United States in 1917-18, \$450 million were earmarked for the Provisional government of Russia. The following credits were granted from that sum: 16 May 1917, \$100 million; 17 July 1917, \$75 million; 23 August 1917, \$100 million; 12 October 1917, \$50 million; and 1 November 1917, \$125 million.

After the October Revolution broke out, the U.S. government cancelled a total of \$137 millions of credits from the sums not used by the Provisional government. The \$125 million credit opened on 1 November 1917 was closed in December 1917. The remaining \$188 million were transferred to Bakhmetiev, the self-styled ambassador of the former Provisional government.<sup>23</sup> The bulk of the money went to finance White Guards—Kolchak, Denikin, Yudenich, Wrangel, Kaledin, etc.

It later became known that Bakhmetiev received additional sums, on his written undertakings, to finance the Russian counter-revolution, in particular from President Wilson's special fund.

In that connection we must note that it was a matter of using credits granted directly by the American government, rather than ones opened by private American banks, to finance the counter-revolution.

The most aggressive-minded circles in the USA even cooked up a plan to grant the bourgeois Provisional government a substantial loan in the event of its reprisals against the revolution being successful and given its acceptance of the dictated American terms for it. David Francis, the American Ambassador to Russia, proposed making such a 'master' stroke in the fight against the revolution as the granting of financial aid to the Provisional government. The Secretary of State Robert Lansing, replying to him, reported the possibility of such a loan on condition that the Provisional government suppressed the 'extreme socialists' (the Bolsheviks) and 'successfully continued the war'.<sup>24</sup> The requirement of continuing the war, as we know, corresponded to the plans of Anglo-French imperialism, and not just of American, which was also striving to use Russian workers and peasants in uniform for its own imperialist purposes.

<sup>23</sup> H. E. Fisk. *The Inter-Ally Debts* (Bankers Trust Co., New York, 1924), pp 146-147.

<sup>24</sup> *Krasnyi arkhiv*, 1927, 5 (24): 32.

The U.S. government found other ways, too, of giving help to the enemies of the revolution. It was not fortuitous that it continued for a year-and-a-half to open various kinds of credits for Britain, France, and other countries involved in intervention against the Soviet Republic. The papers, published later, of the then U.S. Secretary of State Robert Lansing, contain an interesting cable of 13 December 1917 from the State Department to the American Ambassador in Britain. This cable said:

It would seem unwise for this Government to support openly Kaledine and his party because of the attitude which it seems advisable to take with the Petrograd authorities, but it is felt that the Kaledine group should be shown that the Allied Governments are most sympathetic with his efforts. Without actually recognizing his group as a *de facto* government, which is at present impossible since it has not taken form, this Government cannot under the law loan money to him to carry forward his movement. The only practicable course seems to be for the British and French governments to finance the Kaledine enterprise in so far as it is necessary, and for this Government to loan them the money to do so. In that way we would comply with the statute and at the same time strengthen a movement.<sup>25</sup>

Three days earlier Lansing had written to President Wilson that the hope of a stable Russian Government lies for the present in a military dictatorship backed by loyal disciplined troops, [and]

That the only apparent nucleus for an organized movement sufficiently strong to supplant the Bolsheviks and establish a government would seem to be the group of general [staff] officers with General Kaledine, the hetman of the Don Cossacks.<sup>26</sup>

These facts alone are sufficient to make it clear what means the U.S. government was resorting to in order to help the White Guard generals. And there are quite a few such facts, as is evidenced by the Lansing Papers, the memoirs of Colonel House, President Wilson's adviser, and other papers relating to the time.

The U.S. government's policy toward the young Soviet Republic was hypocritical through and through. While aiding the White Guard generals it at the same time hid from the public its action to finance intervention mentioned, in particular, in Lansing's cable quoted above.

It is useful in that connection to point out that the Constitution of the USA, for example, specifies that the United States is not obliged to pay debts if they were incurred through help from outside for a rebellion within the USA. Amendment 14 to Article VI of the Constitution reads:

neither the United States nor any State shall assume or pay any debt or obligation incurred in aid of insurrection or rebellion against the United States.<sup>27</sup>

The book of General W. S. Graves, who was Commander-in-Chief of the American interventionist forces in the Far East of Russia, by no means comes last in exposing the two-faced and hostile policy of the American monopolists. In it he pointed out the duplicity of those who determined U.S. policy in relation to the Soviet state. Noting

<sup>25</sup> *Papers Relating to the Foreign Relations of the United States. The Lansing Papers, 1914-1920*, Vol. 2 (U.S. Govt. Printing Office, Washington, D.C., 1940), pp 345-346.

<sup>26</sup> *Ibid.*, p 343.

<sup>27</sup> Cited from *The Europa Year Book 1973*, Vol. II (Europa Publications, London, 1973), p 1586.



that Kolchak had been given aid in materiel, ammunition, and food by President Wilson's consent, he wrote:

I could not reconcile these acts with the principle of non-interference with the internal affairs of the Russian people. Although the State Department seemed able to do so, as on November 7, 1919, after the munitions, at least, had been given to Kolchak, it stated:

'This Government does not propose to depart in any way from its principles of non-interference in Russian internal affairs.'<sup>28</sup>

What the motives guiding U.S. capitalists' actions then were is quite eloquently shown in one of Lansing's letters to Wilson. Speaking of the Soviet government's famous appeal to the nations and governments of the Allied countries on the matter of peace terms (December 1917), and its immense impact on the peoples, Lansing wrote:

The address from beginning to end is to a class and not to all classes of society, a class which does not have property but hopes to obtain a share by process of government rather than by individual enterprise. This is of course a direct threat at existing social order in all countries...

It is apparent, as I said at the outset, that the Bolsheviks are appealing in this address to a particular class of society, which they seek to arouse against the present order of things, enticing them with the possible abolition of the institution of private property and the possible control by that class of accumulated wealth and of its distribution. The document is an appeal to the proletariat of all countries, to the ignorant and mentally deficient, who by their numbers are urged to become masters. Here seems to me to lie a very real danger in view of the present social unrest throughout the world.<sup>29</sup>

It is clear from that letter that the American bankers and industrialists, like the official spokesmen of their policy in public posts, were already then nursing deep class hatred of the Soviet people. It is not surprising that American monopoly capital, having that position at the very birth of the Soviet state, was on the side of counter-revolution, sending its troops onto Soviet territory, financing White Guards, and putting its class interests above the national interests of the USA and the American nation, which, as historical experience has shown, had no reasons to clash with the peoples of the Soviet Union.

It is also not surprising that, in that situation the voices of people calling for the establishment of normal relations with the Soviet country, like Senators Johnson, Hiram, and others, were drowned by the general chorus of anti-Soviet propaganda, the tone of which was set by American official circles.

Finally, it is also not surprising that U.S. ruling circles tried to exploit the question of 'old debts' for a long time in their policy toward the Soviet state, although claims of that kind had lost all sense.

### §3. The use of war debts as a means of pressure on debtor countries

The monopolistic bourgeoisie of the USA used the war debts right from the start as a means of pressure and blackmail in regard to many countries, especially small ones. We shall cite only some of the facts.

<sup>28</sup> William S. Graves. *America's Siberian Adventure. 1918-1920* (Jonathan Cape & Harrison Smith, New York, 1931), p 346.

<sup>29</sup> *The Lansing Papers*, Vol. 2, pp 346-348.

The Romanian government tried to nationalise the oil industry of its country in 1924, and in that connection passed the appropriate law. The American oil companies categorically resisted this, since they had substantial investments in it. The U.S. government, obeying the will of the companies, made representations to the Romanian government, declaring that if a law nationalising oil were passed it would require redemption of Romania's indebtedness to the United States. The interests of the American oil companies, of course, came out on top. Romanian oil continued, as before, to be in the hands of foreign capital, which controlled its extraction and refining until a people's democratic system was established in the country that put an end to the domination of foreign capital in its economy, including the oil industry, and returned its oil wealth to its real owner, the Romanian people.

A member of the French parliament, Marain, expressing the dissatisfaction of certain French circles with the stand taken by the United States on war debts, accused the USA of egoism in a speech in January 1925. If she had given the European Allies financial aid, he said, it did not mean that she should demand that they pay the debts, since they had been sacrificing the lives of their sons while she was sacrificing money. He said sarcastically that American money had been one of the weapons but not so valuable as the lives of 1,450,000 Frenchmen killed in action and 300,000 who died of wounds. This speech, which corresponded to the mood of the overwhelming majority of the members of the French parliament, provoked an immediate response by the USA. Pressure was immediately put on France, by closing the American money market to French bond issues, and even greater pressure by demanding to speed up payment of her war debts. This incident largely explains why agreement on France's indebtedness was only reached in 1926, and was not ratified until 1929.

The United States was exerting pressure on Italy for a long time, not allowing her to borrow in the USA. But when U.S. ruling circles became convinced that Mussolini was the man for the American monopolists, the obstacles to floating Italian loans in the USA were removed. That happened formally in 1925 in connection with Italy's signing of an agreement settling her war debts to the United States, but in essence the change in attitude to Italy was evoked by exclusively political motives, and primarily by the House of Morgan's granting the Mussolini regime a loan of \$100 million.<sup>30</sup>

The activity of U.S. banking and industrial monopolies in Italy was only a prelude to what they soon undertook on a much bigger scale in regard to Germany.

Almost every European country that was a U.S. debtor experienced direct pressure by the American government in one form or another. At first it was done in order to force them to start repaying the debts

<sup>30</sup> For further details see George Seldes. *One Thousand Americans* (Boni & Gaer, New York, 1947), p 81.



and sign the appropriate agreements, and when the agreements were signed, to force them to honour same.

The countries of Latin America were subjected to no less crude methods of pressure, which has been furthered by consolidation of the USA's role and influence in them during the war at the expense of a weakening of the influence of Britain and Germany. The pressure was exerted in various ways: by an increase in direct capital investments, by the granting of loans and credits to certain Latin American countries, and finally, in the form of direct military and political penetration. The majority of these countries, because of the one-sided character of their economies, had become increasingly dependent on the American market with all the consequences for their economic and political position stemming from that. The real bosses in many of them became the big American monopolies waxing fat during the war.

Here are some typical examples of the pressure the USA put on Latin American countries in connection with the settlement of debts.

The government of Cuba had obtained a loan from the USA because of the enslaving dependence of the Cuban economy on her, and the harsh exploitation of the Cuban people by American capital. The American government has expressed readiness to grant the loan while in 1922 it demanded the right to exercise full control over Cuba's budget.

In 1922, too, the government of Bolivia requested an American loan. It was granted, but only after the Bolivian government had agreed, under American pressure, not to make agreements with anyone without the approval and permission of the American banks. In other words Bolivia was saddled with an obligation incompatible with the principle of state sovereignty, while American capital got an important means of control over the Bolivian economy and mineral resources which had long been its aim.

The United States had taken control over the budgets of countries in the Caribbean Basin, especially over their customs services, since the end of the nineteenth century. The agreements on American loans for them directly specified the USA's right to use armed forces to 'defend' the interests of American capital if the American government deemed it necessary. That fact alone shows that loans, credits, and direct military intervention have long formed a single whole in the policy of U.S. monopoly capital. This triad was employed as a powerful battering-ram in order to enrich the monopolies.

The dollar diplomacy of pressure and blackmail, control over a country's finances, and direct armed intervention in its internal affairs—were the means American imperialism employed for decades in relation to Latin American countries (and not just them), using loans and credits as a lever of expansion. In pursuing that policy the American monopolists trampled principles like the Calvo doctrine into the mud, a doctrine that had been developed in those countries because of their need to protect their sovereignty against the encroachments of American capital.

President Coolidge's statement that 'the person and property of a citizen are a part of the general domain of the nation, even when

abroad'<sup>31</sup> was indicative of this disdain for the vital rights of small nations. It is not difficult to unravel its sense. Those who expressed dissatisfaction at the crude pressure exerted by the U.S. government in connection with the terms it imposed when granting credits to small countries, and in connection with the mounting export of private capital, were given to understand that American capital intended to operate unceremoniously. American economists noted that, after this statement of Coolidge's, countries that expected concessions from the USA were forced once more to agree to ensnaring terms for their loans.

Only later, when the whole plan for settling the inter-Allied war debts was hung up because of the Allies' refusal to pay their debts to the United States in future, did Washington deem it impossible to insist on including, in corresponding agreements with Latin American countries, the above-mentioned proposal on the use of armed force against countries not paying their debts and on direct control over their budgets. But in 1945, when the Minister of Foreign Affairs of Uruguay (clearly on orders from the U.S. State Department) moved a proposal at the Panamerican Conference to consent to collective intervention in the internal affairs of states taking part in the Conference in the event of a breach of their obligations, the American delegation immediately declared the proposal acceptable. It was not difficult to understand that the USA was trying to resurrect the old practice, to which acceptance of the Uruguayan proposal would give a colouring of 'collective measures' applied in the name of the Panamerican Union. The overwhelming majority of Latin American countries, however, received the proposal coldly, considering the moods of the broad masses of their people.

We have already said above that the Anglo-French bourgeoisie linked settlement of the war debts to the United States with Germany's payment of reparations to the Allies, and so made solution of both these matters even more complicated. The agreements signed between the USA and most of the debtors in the 1920s were only a palliative as regards solution of the debts problem. At best they ensured partial repayment of the war debts by the European powers, as events subsequently confirmed.

One may legitimately ask, therefore, what was the interest of the ruling circles of the USA, and of Britain and France, in settling the debts question? All subsequent American policy in Europe, especially in relation to Germany, indicates that American monopoly capital was not in fact interested in a settlement. That is clear above all from the fact that the USA refused redemption in goods but strove to exploit the debts as a lever of pressure on the states that had fallen into dependence on her.

Immediately after the war the United States well knew that repayment of the debts was an unreal matter. The debt issue, however, was

<sup>31</sup> Cited from Raymond F. Mikesell. *United States Economic Policy and International Relations* (McGraw-Hill, New York, 1952), p 70.



an effective means of Wall Street pressure on European countries' policy for a long time, above all on that of the United Kingdom and France.

The facts indicate that the British bourgeoisie were also not really striving to settle the debts question, although the British government initially tried for an agreement with the USA on cancelling them, since freeing the United Kingdom from debt dependence would have untied her hands in Europe and elsewhere. But as soon as the ruling circles of the USA and United Kingdom found a common language in relation to Germany, the matter of the old war debts to the United States began to lose its acuteness. Its subsequent fate was closely linked with the issue of German reparations, and on the whole with Anglo-American policy toward Germany aimed at resurrecting German militarism.

So, the intricate web of the former war Allies' policies, woven from antagonisms, disagreements, and coincidence of views on the world's future development, determined their behaviour in Europe and throughout the world.

#### §4. The U.S. approach to the 'Russian debts'

The practice widely employed by the U.S. government and American monopoly capital of exploiting foreign states' indebtedness to them as an instrument of pressure was manifested most openly in the U.S. approach to the question of the 'Russian debts'.

The Soviet government's measures to cancel Russia's loans (the decree of the All-Russia Central Executive Committee of 10 February 1918), and its other measures taken in the very first months after the Revolution,<sup>32</sup> which freed the country from the foreign capital that had been penetrating it for decades, evoked a sharp negative response from the ruling circles of the Western Powers, especially the USA.

The diplomatic corps in Petrograd, with the participation of the U.S. Ambassador, protested against this historic measure on 26 February. Their protest said:

All the Allied and neutral ambassadors and envoys accredited in Petrograd inform the Commissariat of Foreign Affairs by the present that they consider all the decrees of the Workers' and Peasants' Government on the cancellation of state debts, confiscation of property, etc., in so far as they affect the interests of foreign subjects, to be invalid. At the same time the ambassadors and envoys note that their governments retain their right at any time they consider it necessary to press for satisfaction and compensation of all losses and damages that may be incurred through implementation of said decrees, for foreign states in general, and for their subjects living in Russia in particular.<sup>33</sup>

The Soviet government did not decline to find a solution of the debt issue satisfactory to both parties. This was expressed in the mes-

<sup>32</sup> Decrees on the nationalisation of banks (27 December 1917); on the inspection of safe-deposit boxes in banks (27 December 1917); on socialisation of the land (19 February 1918); the decrees of the Council of People's Commissars nationalising the merchant marine (8 February 1918), confiscating the share capital of the former private banks (8 February 1918).

<sup>33</sup> Cited from Yu. V. Klyuchnikov and A. V. Sabanin. *Mezhdunarodnaya politika novshego vremeni v dogovorakh, notakh i deklaratsiyakh* (International Politics of Recent Times in Treaties, Notes, and Declarations), Part 2 (Litizdat NKID, Moscow, 1926), p. 119.

sage of the People's Commissariat of Foreign Affairs of the RSFSR of 4 February 1919 to the Paris Conference, and in the talks that Lenin had with President Wilson's representative, William C. Bullitt, in March 1919. It is also clear from the note of the Foreign Commissar G. V. Chicherin of 28 October 1921 to the British, American, French, Italian, and Japanese governments, which said:

The Soviet Government is receiving demands from other Powers for recognition of the old debts of the Czarist Government. The Soviet Government declares that it is its firm conviction that no nation is obliged to pay the cost of the chains it has worn for centuries.

But in its unwavering resolve to reach full agreement with other Powers the Russian Government is ready to make a number of substantial concessions on this vital issue...

The Russian Government declares that it is ready to recognise its obligation to other states and their citizens for state loans contracted by the Czarist Government before 1914.<sup>34</sup>

The Genoa Conference of 1922 was an important stage in review of the problems of war debts. It presents interest from many angles when one is analysing this intricate knot of international contradictions that arose after the end of World War I.

(1) It was an attempt by the Western Powers, and especially Britain, to find a way out of the economic difficulties that they (and defeated Germany) were experiencing after the war, and so facilitate solution of the war debts problem.

(2) It became (and this is the main point) the first diplomatic duel of the young Soviet state with the imperialist powers who were trying to impose dictated terms on it for 'economic co-operation' and to force it to pay the huge debts of the czarist and Provisional governments.

(3) It was indicative in this respect that the United States, while not formally represented at the Conference, nevertheless clearly declared she must take part in implementing any measures that might emerge from it to regulate economic relations with the Soviet state.

The initiators of the Conference, notably Britain and France, put up a united front against the Soviet Republic on the issue of the pre-revolutionary Russian governments' debts. While refusing to discuss the important question posed by the Soviet delegation of a universal reduction of armaments, and limiting itself to discussion of economic questions, the Conference in fact concentrated all its attention on the matter of the 'Russian debts'. The main initiators of the Conference, moreover, pleaded the resolution of the Allied Supreme Council, already drafted and adopted by them in Cannes on 6 January 1922, which strictly limited the agenda of the Genoa Conference. This resolution contained points among the terms of reference of the planned conference that states desiring foreign credits would undertake to

(a)... recognise all public debts and obligations which have been or may be undertaken or guaranteed by the State, by municipalities or other public bodies, as well as the obligation to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld.

<sup>34</sup> Cited from *Idem. Op. cit.*, Part 3, Book I (Litizdat NKID, Moscow, 1928), p. 141.



(b)... establish a legal and juridical system which sanctions and enforces commercial and other contracts with impartiality.<sup>35</sup>

The resolution of the Supreme Council also said that foreign capital could not be made available to assist a country unless foreign investors were 'assured that their property and the rights will be respected and the fruits of their enterprise secured to them'.<sup>36</sup> The last, concluding point of the resolution directly said that

if, in order to secure the conditions necessary for the development of the trade in Russia, the Russian Government demands official recognition, the Allied Powers will be prepared to accord such recognition only if the Russian Government accepts the foregoing stipulations.<sup>37</sup>

The line of the proceeding of the Conference in Genoa had thus been decided even before it was convened. It was clear even then what the Allies intended to press for at it. The Soviet delegation, guided by the instructions of the Soviet government and personally of Lenin, successfully did battle with the representatives of the imperialist powers. While expressing a readiness and desire for commercial and economic relations to be normalised between the Soviet Republic and the capitalist world (which had already had time by then to become convinced that it was powerless to strangle the Soviet state by blockade), the Soviet delegation, however, categorically rejected every hankering of the imperialists of Britain and France (backed by the United States) to saddle the Soviet government with dictated terms in connection with the payment of old debts.

The role of Britain and France, whose representatives displayed special activity during the discussion of the point about Soviet Russia's payment of the debts and about the granting of any concessions and privileges to foreign capital in Russia, has been adequately discussed in the Soviet literature. There are also works on this point in Western countries, although the stand of the capitalist countries is deliberately embellished in them. Western historians and economists invariably impute noble motives to these powers, by which they are alleged to have been guided during discussion of the debts question at the Conference, but which have nothing in common with reality.

The real role that the United States played on this issue then has still not been adequately elucidated either in the foreign or the Soviet literature. In Western works the role of the American monopolists during the Genoa discussion of the debts issue is deliberately and grossly distorted. The USA's position vis-à-vis Soviet Russia in general at that time, and in particular the U.S. stand on the capitalist world's economic relations with her, being discussed at the Conference, indicate that the Soviet people had an open enemy in the person of American monopoly capital.

In view of that we need to go into the matter more deeply.

<sup>35</sup> Resolution (moved by Mr. Lloyd George and passed by the Allied Powers in Conference, January 6, 1922). *Documents on British Foreign Policy, 1919-1939*. Edited by W. N. Medlicott, Douglas Dakin and M. E. Lambert. First Series, Vol. XIX (HMSO, London, 1974), p. 36.

<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.*

The U.S. government had disclosed its attitude to Soviet Russia, though in veiled form, in its reply to the Italian government's invitation to take part in the Genoa Conference. The note of Charles Evans Hughes, the U.S. Secretary of State, of 8 March 1922, to the Italian Ambassador V. R. Ricci, in which the USA notified her refusal to take part in the Conference, pleading its political character, contained the following curious statement:

It is also the view of this Government—and it trusts that this view is shared by the governments who have called the Conference—that, while awaiting the establishment of the essential bases of productivity in Russia... without which this Government believes all considerations of economic revival to be futile, nothing should be done looking to the obtaining of economic advantages in Russia which would impair the just opportunities of others.<sup>38</sup>

The U.S. demand to the participants of the Conference was essentially one for an 'open door' policy in relation to the Soviet Republic, a demand that the United States had been persistently defending in relation to China since the end of the 1890s. The U.S. government, and the American financial, monopolistic groups behind it, who already knew that the West European powers were trying to saddle dictated terms for economic 'co-operation' on to the Soviet Republic, not only did not oppose them, but even demanded participation in pillaging the wealth of the Soviet people. The U.S. claims boiled down to the following: you may impose any terms you deem necessary, when discussing the debt question and economic relations with the Soviet Republic, but bear in mind that the United States must be a party to the exploitation of Russian wealth.

This U.S. directive was a signal for the West European states that, however far they went in their demands on the Soviet government, they had a confederate in the shape of American Big Business, which had repeatedly tried to lay hands on the wealth of Russia.

The fact that American capital had historically begun to penetrate the economy of czarist Russia later than French and British forced it to be on the alert and to exploit every chance to infiltrate her industry, agriculture, etc. As we showed in Chapter 2, American capital was penetrating Russia's economy on a broad scale before and during World War I. Some of the American oil companies, which had been evincing particularly great interest in the outcome of the Genoa Conference, had made progress earlier in preparing the ground for possible future expansion. Their capital had been placed in a firm Vacuum Oil and Co., set up in Russia, which was a subsidiary of the American Vacuum Oil Co. The interests of the American shareholders were served by one of the biggest U.S. banks, the National City Bank of New York. As we said above, American capital had also penetrated life insurance societies.

The proposals put forward by the British and French as the basis for discussion showed how far Britain and France went in their demands on the Soviet government as regards the debts and the price that the Soviet Republic should pay, in the view of their ruling circles, for

<sup>38</sup> *Papers Relating to the Foreign Relations of the United States, 1922*, Vol. 1 (U.S. Govt. Printing Office, Washington, D.C., 1938), p. 393.



recognition by the capitalist states and the establishment of economic relations:

1. acceptance by the Soviet government of the financial obligations of the czarist and Provisional governments;
2. recognition by the Soviet government of the financial engagements of all provincial or local authorities previously existing in Russia;
3. acceptance by the Soviet government of 'liability for all actual and direct losses ... due to the action or negligence of the Soviet Government or its predecessors or of any provincial or local authorities';
4. the setting up of a special 'Russian Debt Commission' and 'Mixed Arbitral Tribunals' to determine these matters;
5. inter-governmental debts arising after 1 August 1914 to be considered completely discharged by the payment of net sums to be subsequently agreed by the parties;
6. all claims by Russian nationals for 'loss or damage arising from hostile military or naval operations' to be taken into account when calculating the total of the above-mentioned sums, but without prejudice to the corresponding provisions of the Treaty of Versailles;
7. 'balances standing to the credit of a former Russian Government in any bank situated in a country the Government of which made advances to a former Russian Government' to be put to the account of the government that made the advances.<sup>39</sup>

The proposals further stipulated abolition of the Soviet government's foreign trade monopoly and the establishing of a 'regime of capitulations' for foreign nationals on Soviet territory, such as was practised as a rule by the colonial powers in dependent countries of the Orient. What that meant was spelled out in a French memorandum of 5 February 1922 to the British government, which said:

It is inconceivable, in fact, that it would be possible to respect the right of property if it did not exist. It must therefore be admitted that in this case the rights and interests of foreigners will not be subject to the local internal law, but will remain governed by the national law of the foreigners themselves, and will be recognised as such in the Country: we thus come to consider a veritable regime of capitulations.<sup>40</sup>

The proposals also contained other points on economic and financial matters, etc., that were incompatible with the sovereignty of the Soviet state and the interests of the Soviet people. It is quite enough, however, that the proposals, introduced for the Conference's consideration with the knowledge and encouragement of the United States, contained demands for the payment of debts, the restoration of nationalised enterprises to foreigners, abolition of the monopoly of foreign trade, the granting of a 'regime of capitulations' for foreigners living on Soviet territory, to make not only the real role of Anglo-French

<sup>39</sup> *Papers Relating to the International Economic Conference, Genoa, April-May 1922* (HMSO, London, 1922), pp 6-8.

<sup>40</sup> Ministère des Affaires Étrangères. *Documents diplomatiques. Conférence Économique internationale de Gènes. 9 avril-19 mai 1922* (Imprimerie nationale, Paris, 1922), p 20.

imperialism clear but also that of the American imperialists, who were striving to profit from pillage of the Soviet country's wealth.

In spite of certain differences between the British and French delegations on separate issues and certain amendments to the original proposals (agreement to cancel Russian wartime debts), Britain and France defended their proposals to the last ditch. The justified counter-demands of the Soviet government for compensation for the damage suffered by the Soviet state from the devastation caused by the Allies' intervention and by the White Guard forces, financed and supplied by the Entente countries and the United States, were rejected by Britain and France.

Such were the shackling conditions that the imperialist powers tried to impose on the Soviet people, and such was the reason why the United States supported the stand of Britain and France at the Genoa Conference and their claims on the Soviet state. The fact that the U.S. government did not formally take part in the Conference does not alter the matter. By encouraging Britain and France in their hostile, expansionist demands on the Soviet people, it exerted no less influence on the course of the Conference than if it had taken a direct part. While formally standing aside it in fact acted as an ally of France and Great Britain.

This formal non-participation was not, of course, dictated by goodwill on the part of the American imperialists toward the Soviet Republic but was due to U.S. uneasiness whether Britain and the other debtor countries would raise the whole question of writing off the war debts, a matter that in the U.S. view was not subject to discussion at any international conference whatsoever. The American government had given that to be unambiguously understood by its Allies at the Paris Peace Conference, during negotiations with the European governments concerned. And so that there should be no vagueness among the debtors about America's position in regard to war debts, the American Senate passed a resolution on 9 February 1922, i.e. on the eve of the Genoa Conference, on the need for the Allies to settle their indebtedness to the United States.

By not taking a direct part in the Conference, the U.S. government, moreover, bore no responsibility in case it failed, the more so that American imperialists, like the European organisers of intervention and economic blockade against the Soviet Republic, had been convinced by that time that the Soviet government could hold its own not only on the field of battle but also in diplomatic struggle in the international arena.

How much American bankers and industrialists wanted to see the Soviet country tied hand and foot by obligations to repay foreign debts can be judged from the unusual sensitivity with which the U.S. government reacted to every event taking place at the Conference. Here is a typical example.

When it became clear that the Conference had run up a blind alley because of its organisers' stand in refusing agreement, the Soviet government took the following step to deprive the imperialist countries of any excuse to blame it for failure of the Conference, and so as to



split the Allies' front. It declared that it was prepared, in the event of receiving financial aid from outside and official *de jure* recognition of the Soviet state by the interested powers, to make concessions on the matter of losses resulting from intervention and the blockade, the prewar debts, and the payment of compensation to foreign property-owners. The United States hastened, however, to put direct pressure on the participants in the Conference in order to prevent agreement being reached, which it did when Lloyd George still continued to pretend that he was looking for possibilities of an agreement, and exclaimed to pressmen that, in view of the Soviet delegation's stand, he 'would have to go back to 2,000,000 unemployed and say he had got nothing',<sup>41</sup> while the French Minister of Foreign Affairs, Louis Barthou, 'would have to go back to his 1,200,000 bondholders and tell them he had obtained nothing'.<sup>42</sup>

Through its observer, the American Ambassador in Italy, Richard W. Child, through whom Washington followed the course of the Conference the whole time, the U.S. government gave the British Premier to understand that the absence of unity among the British and French was dangerous and could lead to undesirable results.

Convinced that the imperialists' plan in regard to the Soviet Republic had failed at the Conference, the U.S. government advised adjourning it. The British and French, as the facts show, did not have to be persuaded of that because they, having been rebuffed by the young Soviet Republic, had come to the same conclusion.

But U.S. direct pressure on the Conference was not confined to that. Child, when advising adjournment, proposed, no more and no less, making an 'inspection of Russia'. Wall Street wanted then to send a host of the American 'inspectors' to Soviet Russia, who are now flooding countries that have become dependent on American monopoly capital. Furthermore, because of its fear that the West European capitalist powers would put the United States in a disadvantageous position through some sort of agreement with Soviet Russia, the White House proposed through Child that no separate agreements should be concluded with the Soviet Republic (i.e. without participation of the United States). It is not surprising therefore that American oil companies had rushed (in conditions of active interference by the U.S. government in the proceedings of the Conference) to buy up the shares of former Russian companies for extracting and refining petroleum, foreseeing a handsome profit, especially from the Baku oilfields.

Lloyd George had every grounds for saying: 'But if we can set... things right at this conference, I feel sure that America will not merely come in, but come in gladly.'<sup>43</sup> He was not mistaken. The American monopolists were only awaiting a suitable occasion to hurl themselves onto Soviet oil and other riches and pillage them for their own profit.

<sup>41</sup> *Documents on British Foreign Policy, 1919-1939*. First Series, Vol. XIX (HMSO, London, 1974), p 772.

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.*, p 342.

What the demands the American and Anglo-French imperialists were trying to impose on the Soviet people would have meant can be seen from the following.

A demand was made for the Soviet government to pay 18 billion roubles to cover the debts of the czarist and Provisional governments, although their total indebtedness was not in fact more than 12,250 million roubles. The Allies tried to include every kind of arbitrarily and groundlessly estimated outlays that they allegedly bore because of unpunctual payment of the debts, etc. The figures adduced show what a financial and economic burden Soviet government saved the workers and peasants of Russia from.

Payment of the sum mentioned would have meant around 120 roubles per head of the population of the Soviet country (taking the population at 150 million), and around 480 roubles per family (in prewar roubles).

In order to get a more exact idea of what it would have meant for the worker and his family in the conditions of landlord-capitalist Russia, one has to compare this figure with the pay of a worker in czarist Russia.

In an article *Our 'Achievements'*, published in 1913, Lenin wrote that the average pay of a factory worker in Russia in 1911 was 251 roubles a year.<sup>44</sup> And that was after a certain rise in workers' wages as a result of the strike struggle of 1905-07 led by the Bolsheviks. That means that a family with one wage-earner would have had to pay a sum, for foreign debts alone, equal to a worker's average pay for almost two years.

If the debts had been repaid over ten years, it would have worked out that a family with one wage-earner would have paid out 48 roubles a year on the average, or around 20 per cent of the earnings of an average-paid worker.

There is no doubt that the sum would have been much higher in fact, since the government, either the czarist or the bourgeois Provisional one, would have tried to lay the burden on the workers and peasants and not on the capitalists and landowners. In other words, what would have happened was what did happen after World War I with the repayment of the West European Allied countries' debts to the United States, and the repayment of the debts of the debtors of Britain and France; the debtor countries shifted the whole burden onto the working people.

Neither the czarist government, nor the Provisional government, of course, could have counted on any leniency from their creditors as regards the war debts, let alone the prewar ones. The following facts are worth noting in that respect.

In July 1916 a conference of the finance ministers of Russia, Britain, and France was held in London. The Russian Minister of Finance Bark, who arrived accompanied by the Chief of the General Staff

<sup>44</sup> V. I. Lenin. *Collected Works*, Vol. 18 (Progress Publishers, Moscow, 1973), p 596.



of the Russian Army, General Belyaev, reported to the conference that the czarist government had exhausted its financial resources, including the credits of \$618 million recently opened for it. He reported, further, that Russia needed an additional loan of at least \$1,460 million, with the right to use it to pay off indebtedness to Italy, Japan, and the Scandinavian countries. The British government agreed to open additional credits on condition that Russia made over to the British Treasury gold ingots worth \$58 million in order to cover the outstanding indebtedness under previous credits, on which Russia had already sent Britain hundreds of millions of dollars in gold.

The czarist government was thus forced to pay out its last reserves of gold, the existence of which the Minister of Finance had boasted about.

As you see, even in wartime Britain approached the question of financing Russia in an exclusively commercial, selfish fashion. That fact quite clearly shows what the prospect would have been for Russia in the future if the landlords and capitalists had retained power. And that in spite of the colossal losses borne by Russia in the war against Germany, which much exceeded those of any of the other belligerent countries.

The official circles of the USA, Britain, and France, in trying to saddle the Soviet people with repayment of billions of foreign debts, did not take into account either that they, as interventionists, had caused much greater damage to the Soviet state, or that Britain and the USA had fought mainly by means of their financial and physical resources and had borne comparatively small casualties (Britain lost 700,000 men killed or missing; the USA 80,000), while Russia had lost 2,300,000 men killed.<sup>45</sup> They were echoed by bourgeois historians and economists, who have methodically and punctiliously counted up every dollar and every pound sterling expended on loans to Russia, but who have persistently ignored the losses borne by the peoples of Russia during the war years.

In the voluminous literature on the question of war debts that appeared after World War I in Britain and the USA, for example, bourgeois economists reckoned up when and what cheque was paid to the Russian government by way of financing Russia as a participant in the war, but had no wish to note that Russian soldiers died at the front in millions, defending the British and French armies as well, and so saving them their losses. A typical example of this kind is the book by the American economist Fisk, who scrupulously adduced facts relative to the credits opened for Russia by the Western powers during the war, even speaking of the number of 'battle deaths' of the main members of the two coalitions. But he did so in a clearly distorted form. In speaking of 'battle deaths', for example, he cited them only as a percentage of the total population, without naming the absolute figures. By that method Britain and France were in first place (1.44

<sup>45</sup> See *Mirovaya voina v tsifrakh* (The World War in Figures), Moscow and Leningrad, 1934, p 21.

and 2.31 per cent respectively). As for Russia (0.98 per cent), she was on the same level with Italy (0.92 per cent)<sup>46</sup> whose involvement in the war had led to the Italian army's being broken in its very first serious clash with the enemy, which had, in fact, deprived it of further fighting capacity.

It is not difficult, of course, to calculate the real human losses of the countries involved in the war from the relative figures cited by these authors. But it is not simply a matter of the method of calculation but of the point that the Western countries are depicted in this literature as the countries that suffered most: the USA, because as creditor it granted the belligerent parties billions of dollars in loans and credits; Britain and France, because the number of their dead, as a percentage of the total population, was higher than that in Russia.

All that is a typical illustration of President Wilson's words cited above about World War I having been a 'commercial' one, in other words a war in which the American bourgeoisie pursued its own selfish vested and expansionist aims.

How unjustified the imperialists' demands on the Soviet state were is shown not only by the absurdly high sum they proposed should be repaid, and not simply by the fact that these claims were presented in spite of the vast losses their intervention and blockade, and the operations of the White Guards supported by the Entente inflicted on it, but also by the very posing of the question of repayment by the Soviet government of the debts of the prerevolutionary governments.

It is well known that the debts of the czarist government had been contracted, as regards the bulk of them, even before World War I, for expenditure on war needs and on maintaining an army and huge police apparatus to suppress the labour movement and especially the Revolution of 1905.

That wholly applies, as well, to the debts of the bourgeois Provisional government.

Lenin repeatedly pointed out that czarist Russia's loans were being used against the people by the Romanov's government. In that respect Russian czarism and the British, French, and American bourgeoisie acted together as allies and stranglers of the Russian revolution. Referring to the czarist government's French loans, Lenin wrote in the newspaper *Vperyod* (Forward) on 5 April 1905:

Without foreign loans Russian autocracy would not be able to survive. It was advantageous to the French bourgeoisie to support its military ally, so long, especially, as payments on the loans were punctually forthcoming. And the French bourgeoisie lent the autocratic government the round little sum of *ten milliard francs* (about 4,000 million roubles).<sup>47</sup>

Speaking of the czarist government's policy aimed at suppressing the 1905 Revolution Lenin wrote in the newspaper *Proletary* in September 1906:

The need of a loan? This need is very urgent. And European capital will lend money only on the guarantee of 'order'. What kind of 'order', however,

<sup>46</sup> H. E. Fisk. *Op. cit.*, p 21.

<sup>47</sup> V. I. Lenin. European Capital and the Autocracy. *Collected Works*, Vol. 8 (Progress Publishers, Moscow, 1977), p 267.



is immaterial to capital—it would even prefer the order that prevails in the graveyard.<sup>48</sup>

Later, in 1908, he wrote:

The Black-Hundred government of the tsar could not have held out after December 1905, and could not hold out even now, without the help of world bourgeoisie in the shape of loans. And the world bourgeoisie is giving billions in loans to an obviously bankrupt tsar, not only because it is lured, like all moneylenders, by the prospect of big profits, but because it realises its own vested interest in the victory of the old regime over the revolution in Russia, for it is the proletariat that is marching at the head of this revolution.<sup>49</sup>

The czarist government, and later the Provisional government, in resorting more and more often to foreign loans, quite left out of account that this was worsening Russia's serious economic position in relation to other countries (already bad enough), wrecking her finances, and bringing her to bankruptcy. This fact forced some canny spokesmen of the Western countries to fear at times for the funds being granted and to look for ways of getting the Russian loans off their hands before it was too late.

As a typical example of this Lenin pointed to Rudolf Martin's book *The Future of Russia and Japan* that appeared in Berlin during the Russo-Japanese War, writing apropos of it:

The author's approach to the matter is one of pure scholarship and devoid of any political sympathies. A statistician by profession, he has made a thorough study of Russia's financial standing and arrives at the conclusion that a declaration of insolvency is inevitable, whether the war goes on or whether peace is concluded. Russian agriculture is in a state of complete decline, a capital of 50 thousand million rubles being required to put it on its feet again. Over the next ten years the budget deficit will amount to at least 300 million rubles annually. Russia's national debt, estimated by the author at approximately eight thousand million rubles today, will reach 12 thousand million rubles in five years' time. There is nothing with which to pay the interest on the loans because nobody will now give Russia any money. The parallel between the Russia of 1905 and the France of Louis XVI is simply amazing. Rudolf Martin strongly advises Germany to get all Russian loans off her hands at the earliest opportunity (in America, if possible)—loans in which 1,500 million rubles' worth of German money has been invested. The European bourgeoisie is hurrying to escape, foreseeing the inevitability of a Russian collapse.<sup>50</sup>

British bankers, observing the czarist government's extreme disdain for Russia's national interests in sliding deeper and deeper into debt to foreign capital, also at times displayed uneasiness. The organ of the conservative British bourgeoisie *The Times* pointed out in an article 'Is Russia Solvent?' in March 1905 that the czarist government were 'running their business at a loss', that their financiers like Witte, the Premier, and Kokovtsev, the Minister of Finance, were muddling through only by getting deeper and deeper into debt. Lenin remarked how exactly and insidiously *The Times* observed the tricks the czarist government was resorting to in order to pay off old loans and get new

ones so as to preserve the police prison regime in the country. He ridiculed Kokovtsev's attempt to refute *The Times'* statement by inviting its editors to check the Russian gold reserve, which in Kokovtsev's view guaranteed the soundness of Russia's financial position.

The gold obtained as a loan [Lenin wrote] is shown to everybody as proof of Russia's wealth and solvency! Small wonder that the English merchant compared this hanky-panky to the tricks of the Humberts, the famous impostors, who used to display borrowed or swindled money (or even a safe purporting to contain money) in order to obtain new loans.<sup>51</sup>

Lenin remarked that the comparison with the notorious Humbert family had neatly nailed the 'gist' of the 'free cash balances' that the czarist government was citing as evidence of its solvency for foreign loans.

What Lenin said about the czarist government's policy in regard to foreign loans in connection with *The Times'* statement showed the whole falsity of Witte's claims in his *Reminiscences* (written later in emigration), that he saved Russia's finances and provided the conditions for her to get new loans. Witte of course concealed what the purpose of the loans obtained was, and what the consequences they entailed for Russia's economy and the Russian workers and peasants.

Such was the character of the loans and the whole burden of their repayment that the imperialist states, with the active involvement of U.S. monopolists, were trying to lay on the people of the Soviet Republic.

Stressing the historic importance of the freeing of the Soviet people from repaying old debts, Lenin said at the Extraordinary Sixth All-Russia Congress of Soviets on 8 November 1918:

The Soviet Republic was able to openly declare war on the imperialists of all countries, depriving them of their capital in the shape of foreign loans, slapping them in the face and openly emptying their plunder-laden pockets.<sup>52</sup>

The Soviet delegation at the Genoa Conference pointed out the whole falsity and absurdity of the imperialist states' stand on the debts question, and carried out the instruction of Lenin and the Soviet government, defending the sovereignty and independence of the young Soviet state.

Lenin, speaking of the Genoa Conference, said:

We declared that we welcomed Genoa and would attend it. We understood perfectly well and did not in the least conceal the fact that we were going there as merchants, because trade with capitalist countries ... is absolutely essential to us; we realised that we were going to Genoa to bargain for the most proper and most advantageous and politically suitable terms for this trade, and nothing more.<sup>53</sup>

Lenin and the Soviet government rejected every attempt to impose terms politically unacceptable to the Soviet state. 'Every attempt,' he said,

<sup>48</sup> V. I. Lenin. A New Coup d'Etat in Preparation. *Collected Works*, Vol. 11 (Progress Publishers, Moscow, 1972), p. 210.

<sup>49</sup> V. I. Lenin. The Debate on the Extension of the Duma's Budgetary Powers. *Collected Works*, Vol. 13 (Progress Publishers, Moscow, 1978), p. 434.

<sup>50</sup> V. I. Lenin. Note to the Article 'Russia's Finances and the Revolution'. *Collected Works*, Vol. 9, p. 229.

<sup>51</sup> V. I. Lenin. European Capital and the Autocracy. *Collected Works*, Vol. 8, p. 270.

<sup>52</sup> V. I. Lenin. Speech to the Extraordinary Sixth All-Russia Congress of Soviets of Workers', Peasants', Cossacks, and Red Army Deputies. *Collected Works*, Vol. 28 (Progress Publishers, Moscow, 1977), p. 155.

<sup>53</sup> V. I. Lenin. The International and Domestic Situation of the Soviet Republic. *Collected Works*, Vol. 33 (Progress Publishers, Moscow, 1973), p. 213.



to impose terms upon us as if we were vanquished is so very foolish that it is not worthy of a reply. *We are establishing relations as merchants; we know what you owe us and what we owe you; and we know what your legitimate profit and even your super-profit may be.*<sup>54</sup>

He also pointed out that the Soviet Republic would win by this tactic even if the conference failed. Subsequent events fully confirmed his foresight. In spite of the fact that the Genoa Conference did not lead to agreement, it was a major political victory for the Soviet state, which held out with honour in the diplomatic battle against a united front of the main imperialist powers who were encroaching on its independence.

The same can be said of the Hague Conference of 1922, which was substantially a continuation of the Genoa Conference. The United Kingdom, France, and the countries supporting them did not retreat from their previous stand. They did not agree to grant the Soviet government credits, except the insignificant sum of £25 million named by them. At the same time they declared their readiness to grant credits to foreign entrepreneurs in the event of private foreign capital being permitted to exploit and pillage the wealth of the Soviet people.

The enemies of the Soviet state, among whom U.S. bourgeoisie began to play a more and more important role, tried to exploit the debts question, even after these conferences, as a means of pressure on the Soviet Union and of keeping up a hostile interventionist propaganda that had something in common with the policy and propaganda of the Reagan Administration at present toward the Soviet Union.

<sup>54</sup> V. I. Lenin. *Op. cit.*, p 218.

## THE ROLE OF U.S. CAPITAL EXPORTS BETWEEN THE WARS

### §1. The increase of expansionism and the growth of U.S. foreign capital investments

World War I had profound consequences for the whole world capitalist system and the countries belonging to it. It led to significant shifts in the distribution of forces within the world capitalist market and to sharp changes in the international positions of the main imperialist powers.

One of these consequences was a vast increase in the role of American imperialism, especially a strengthening of its economic and political position among the capitalist countries. A favourable home situation, which was marked in particular by rapid industrialisation, the rise of the United States (even before the war) as an aggressive imperialist power that had got hold of a number of colonies and dependent territories, and the relative weakness that the war revealed of the disintegrating colonial empires of Britain and France (which were in need of huge purchases of arms and munitions from abroad) had brought her to the fore as the strongest imperialist power. Britain and France, which were already being crowded out by the United States before the war, were more and more pushed aside by their war-enriched Transatlantic partner.

After the war the USA advanced to first place in economic power, relative weight in the world capitalist economy, and in volume of exports and degree of concentration of capital. The 14th Congress of the RCP(B) had already noted in 1925 'the prodigiously growing role of the North American United States, verging on world financial hegemony'.<sup>1</sup> Between 1913 and 1929 U.S. industrial production rose by 70 per cent while that of Great Britain fell by 1 per cent. By 1928 the USA had surpassed all Western Europe in total volume of industrial production. In absolute terms of economic growth the following figures are illustrative. U.S. production of steel increased from 23.5 million tonnes in 1914 to 56.4 million tonnes in 1929. Production of automobiles rose from 496,000 in 1915 to 4,587,000 in 1929, and of lorries from 74,000 to 771,000. Output of oil rose from 265,800 barrels a day to more than a million barrels a day between 1914 and 1929. Labour productivity rose by more than half in the same period.

The law of the uneven economic and political development of capitalist countries in the period of imperialism, discovered by Lenin, is graphically confirmed by the example of the USA. This unevenness

<sup>1</sup> KPSS v rezolyutsiyakh i resheniyakh s'ezdov, konferentsii i plenumov TsK (The CPSU in Resolutions and Decisions of Congresses, Conferences, and Plenums of the CC), Vol. 3, Politizdat, Moscow, 1970, p 244.



of development and the gap between the USA and the other imperialist powers went hand in hand with a sharpening of all the inter-imperialist contradictions, especially in the struggle to redivide the world and establish U.S. domination.

The European war [Lenin commented in December 1914 in an article 'Dead Chauvinism and Living Socialism'] is a tremendous historical crisis, the beginning of a new epoch. Like any crisis, the war has aggravated deep-seated antagonisms and brought them to the surface.<sup>2</sup>

From the moment of the outbreak of the world crisis, production everywhere fell much below the prewar level. In some regions and countries it sank below the level of the 1890s, 1880s, and even 1870s. Between 1928 and the end of 1932 world capitalist production fell by 38.7 per cent (in Germany by 45.2 per cent, in the USA by 41.2 per cent, in Great Britain by 22.1 per cent, and in France by 22.9 per cent). The wholesale prices of industrial goods fell by more than one-third on the world market, and prices of farm produce even more. At the same time stocks of raw materials nearly doubled from 1929. At the end of 1932 the number of unemployed was 30 million, according to the International Labour Office.

The changes that took place in the world capitalist economy as a result of World War I and the world economic crisis increased competition between the imperialist powers. American imperialism, exploiting its economic preponderance and position of world banker, took a line of further broad economic expansion, though the movement was far from smooth. The activation of its expansionist course rested on the operations of American monopoly capital, aimed as before at grabbing new territories, redividing spheres of influence, and ultimately establishing its world domination.

The growth of U.S. global pretensions led to an increase in the significance of capital exports, which more and more became a main weapon in the hands of the American monopolies for achieving these aims, and an active means of economic redivision of spheres of influence in their favour.

The export of capital, of course, does not mean an absence of spheres of application within the country. From 1919 agriculture was a frenzied field. Industries like coal mining, textiles, and clothing were 'sick', and unemployment was particularly high in them. The number of unemployed in the USA reached 5,500,000 in the short but sharp slump of 1921. The emergent improvement of the economic situation ended in a crash in October 1929. One of the consequences was a growth of reaction within the USA and a broad attack on the rights of the workers. In response to the mass strikes of 1919-22, in which around eight million workers took part, the government took wide repressive measures. In some industries—steel, meat-packing, lumbering, automobiles, etc.—the trade unions were liquidated.

The resources accumulated during the war could have been directed to reviving the backward industries, to tackling burning social issues

and to improving the workers' position. The monopolies, however, preferred to invest abroad.

After World War I the export of capital was converted into a very important sphere of struggle between the biggest imperialist powers for profitable markets and lucrative spheres of enrichment. The growth of aggressiveness in this field was due to intensification of the unevenness of the big capitalist countries' development. By the end of the 20s the USA had become the main exporter of capital, yielded place temporarily to Great Britain in the mid-30s, and again got back the leading position at the end of World War II.

As we have already mentioned, U.S. economic expansion in the form of export of capital took on a broad scale in the years after World War I. At the time of the USA's entry into the war it was the debtor of European countries to the tune of \$4.5 billion; at the end of the war Europe's war debts to the United States alone were \$10 billion. Between 1914 and 1929 the export of capital from the USA in all forms reached the huge sum of \$27 billion. Between 1914 and 1930 U.S. foreign assets, not counting the indebtedness of foreign governments, rose from \$7 billion to \$17 billion, growing over those 15 years by roughly \$700 million a year.

The dynamics of U.S. capital investments abroad between the wars is shown in Table 4.1.

Table 4.1

U.S. Investments Abroad, 1919-1940  
(\$ billion)

Year	Total long- and short-term investments	Total (including gold and currency reserves)	Year	Total long- and short-term investments	Total (including gold and currency reserves)
1919	7.0	9.7	1931	15.9	20.1
1924	10.9	15.1	1935	13.5	23.6
1927	13.8	17.9	1939	11.4	—
1930	17.2	21.5	1940	12.2	34.3

Sources: *Historical Statistics of the United States, Colonial Times to 1970, Part 2* (U. S. Govt. Printing Office, Washington, D. C., 1975), p 869; *Survey of Current Business*, 1934, 34, 5: 10.

The figures in Table 4.1 show graphically how high the rates of U.S. foreign economic expansion were then. The biggest growth took place in the 20s, a period of rapid development of the U.S. economy.

This period was followed by the economic collapse of the 30s caused by the world economic crisis of 1929-33 and the depression of 1937-8 that followed it. It led to a steep fall in exports of American capital (from \$17.2 billion in 1930 to \$11.4 billion in 1939), with a simultaneous growth of imports of foreign capital into the USA from

<sup>2</sup> V. I. Lenin. *Collected Works*, Vol. 21 (Progress Publishers, Moscow, 1977), p 98.



\$6.6 billion in 1927 to \$9.6 billion in 1939,<sup>3</sup> and \$13.5 billion in 1940.<sup>4</sup> There was consequently a certain diminution of the role of the USA as a creditor, and Great Britain's passing once again to first place among exporters of capital. In 1938 the British total of exported capital, including short-term foreign investments, was double that for the USA.

At the same time, in spite of the consequences of the economic upheavals, the USA continued to hold its position of the biggest world creditor in the period between the wars, as is confirmed by the official figures published by the U.S. Treasury (see Table 4.2).

Table 4.2

The U.S. Position as an International Creditor, 1914-1939  
(\$ billion)

	1914 (30 June)	1919	1924	1927	1930	1931	1935	1939
I. Total U.S. investments abroad*	3.5	7.0	10.9	13.8	17.2	15.9	13.5	11.4
private	3.5	7.0	10.9	13.8	17.2	15.9	13.5	11.4
long-term	3.5	6.5	10.0	12.5	15.2	14.6	12.6	10.8
direct	2.6	3.9	5.4	6.6	8.0	8.1	7.8	7.0
portfolio, etc.	0.9	2.6	4.6	5.9	7.2	6.5	4.8	3.8
short-term	—	0.5	0.9	1.3	2.0	1.3	0.9	0.5
public (without World War I war debts)	—	—	—	—	—	—	—	—
II. Total foreign investments in the USA	7.2	3.3	3.9	6.6	8.4	3.8	6.4	9.6
long-term	6.7	2.5	2.9	3.7	5.7**	2.3	5.1	6.3
direct	1.3	0.9	1.0	—	1.4**	—	1.6	2.0
portfolio, etc.	5.4	1.6	1.9	—	4.3**	—	3.5	4.3
short-term	0.5	0.8	1.0	2.9	2.7	1.5	1.3	3.3
III. Net U.S. investments	-3.7	3.7	7.0	7.2	8.8	12.1	7.1	1.8
long-term	-3.2	4.0	7.1	8.8	9.5	12.3	7.5	4.5
short-term	-0.5	-0.3	-0.1	-1.6	-0.7	-0.2	-0.4	-2.7

\* Without the U.S. gold and currency reserves.

\*\* Figures for 1929.

Sources: *Historical Statistics of the United States, Colonial Times to 1970*, Part 2, p 869; *Survey of Current Business*, 1954, 34, 5:10.

The figures quoted show that, in spite of a certain drop in the volume of net investment in the second half of the 30s, the USA's position as a major international creditor continued to be very substantial. Even

<sup>3</sup> *Survey of Current Business*, 1954, 34, 5:10.

<sup>4</sup> *Historical Statistics of the United States, Colonial Times to 1970*, Part 2 (U.S. Govt. Printing Office, Washington, D.C., 1975), p 869.

in 1939, though not yet fully recovered from the economic crisis, she exported \$1.8 billion more capital than she imported.

Some American economists, when analysing the position of various countries as creditors and debtors, try to represent matters as if the USA's role as a creditor was insignificant at the end of the 30s, and that she had ceased to be one at all in 1944-5. That conclusion is reached by comparing the total of American foreign investments with U.S. foreign obligations.

Cleona Lewis, author of the Brookings Institution's study *Debtor and Creditor Countries*, came to such a conclusion from the figures on U.S. foreign investments in 1938 and at the end of 1944. From a comparison of U.S. long-term investments, totalling \$11.5 billion in 1938, and long-term obligations, she said that the difference of \$4.5 billion was no longer great, especially when compared with Britain's net investments (long-term and short-term) for the same period, which came to \$21 billion.<sup>5</sup> But, as the Soviet economist, Prof. S. Vygodsky, has remarked, that leaves quite out of account that U.S. investments had essential special features stemming from the USA's potential economic opportunities.<sup>6</sup> That is why her diminished role as a creditor in the 30s gave way subsequently to a tempestuous growth of American foreign investments. Half of the British investments, however, were in countries of the British Empire and were the result of long accumulation. Britain's undermined economy after World War II, and the weakening of her links with those countries in that connection, could not help affecting her position as an exporter of capital, especially when allowance is made for her great and ever-increasing debt dependence on the USA.

It should be noted, moreover, that the U.S. obligations were the result of foreign investments in the American economy, mainly before World War I, when the USA was still a debtor. Their role in the American economy had become insignificant, and was reduced to nought in fact by Britain's forced sale of her U.S. assets during World War II. Unless this qualitative difference between American and British investments is taken into account, a distorted picture is obtained.

Things are even worse when Miss Lewis compares U.S. foreign investments with American obligations at the end of 1944. From her comparison of the investments (long-term and short-term lumped together) —\$11.1 billion—with U.S. obligations (also long-term and short-term lumped together), which she estimates at \$12.3 billion, she concluded that the USA had ceased to be a creditor and had even become a debt-

<sup>5</sup> See Cleona Lewis, *Debtor and Creditor Countries, 1938-1944* (The Brookings Institution, Washington, D.C., 1945). U.S. short-term investments in 1938, which came to \$689 million according to the figures of the U.S. Department of Commerce, and U.S. short-term obligations totalling \$2,193 million at the same time, are not taken into account (see *The Balance of International Payments of the United States, in 1939*, U.S. Govt. Printing Office, Washington, D.C., 1940, p 82).

<sup>6</sup> See Prof. Vygodsky's introduction to the Russian translation of Cleona Lewis' book *Strany-dolzhniki i strany-kreditory. 1938-1944* (Debtor and Creditor Countries), Inostrannaya Literatura, Moscow, 1947.



or.<sup>7</sup> It is sufficient, however, to analyse her data to see how groundless her conclusions are. A considerable part of these obligations (or indebtedness) of the USA were not in fact such. One cannot, for example, include in them reserves placed for safekeeping with American banks, for which the USA did not and could not assume any obligation.

That part of American obligations that were the consequence of an increase in short-term foreign investments in the USA herself (which rose from \$2.2 billion in 1938 to \$6.1 billion at the end of 1944 as a result of foreigners' acquisition of American securities) also had a special character. Some countries bought American securities in view of the relative safety of placing capital in the USA. In other words, these short-term foreign investments were due to reasons of a market-determined order, primarily the position in several European countries that roused fears among capitalists for the fate of their capital. Because of that they could not have any appreciable effect on the U.S. economy and in fact represented reserves for West European countries that found themselves with a dollar shortage one or two years after the war, which was forcing them to dispose of securities to pay for imports of American goods.

Finally, it is necessary to take yet another circumstance into account. The U.S. government was beginning to play an ever bigger role in the export of capital; loans and credits had passed almost wholly into government hands, and were being openly used as a lever for the political and economic subordination of other countries.

The attempts of certain American economists to present matters as if the USA had lost her role of creditor after the war is thus a falsification of the position meant to disparage the weapon of expansion that the export of capital is in the hands of U.S. monopoly capitalists.

## **\$2. The structure and distribution of U.S. foreign capital investments. The struggle for a redivision of spheres of dominance**

New trends were noticed in the export of American capital in the inter-war period, which were primarily linked with the character of the international movement of capital then. This, too, largely conditioned the peculiarities of the export of capital from the USA. In the main these peculiarities were as follows:

- (1) a considerable extension of the export of private capital, the main stimulus for which was the increasing concentration of monopoly capital in the years after World War I and the centralisation of bank reserves;
- (2) the strengthening, especially after the mid-30s, of the role of the state, which was converted more and more into the biggest exporter of capital, and guarantor of private capital exports;

<sup>7</sup> See Cleona Lewis, *Op. cit.*, p 25.

- (3) the growth of direct long-term investments, both private and public, with a relative shrinking of the proportion of portfolio investments.

This shift in the structure of American investments in the inter-war period, compared with 1914, is clearly visible from the data in Table 4.3.

Table 4.3

### **The Structure of U.S. Foreign Investments, 1914-1940 (\$ billion)**

	1914	1919	1924	1927	1930	1931	1935	1939	1940
Private	3.5	7.0	10.9	13.8	17.2	15.9	13.5	11.4	12.2
long-term	3.5	6.5	10.0	12.5	15.2	14.6	12.6	10.8	11.3
direct	2.7	3.9	5.4	6.6	8.0	8.1	7.8	7.0	7.3
other	0.8	2.6	4.6	5.9	7.2	6.5	4.8	3.8	4.0
short-term	—	0.5	0.8	1.3	2.0	1.3	0.9	0.6	0.9
Government (including gold and currency reserves)	1.5	2.7	4.2	4.1	4.3	4.2	10.1	...	22.1
Total	5.0	9.7	15.1	17.9	21.5	20.1	23.6	...	34.3

Source: *Historical Statistics of the United States. Colonial Times to 1970*, Part 2, p 869.

How American direct capital investments were distributed by sectors of the economy can be judged from the official figures in Table 4.4.

Table 4.4

### **U.S. Direct Foreign Investments, 1929-1940 (\$ million)**

	1929	1936	1940
Total	7,528	6,691	7,000
agriculture	880	482	435
ore-mining and smelting	1,185	1,032	782
manufacturing	1,813	1,710	1,926
transportation, communication, and public utilities	1,610	1,640	1,514
trade	368	391	523
petroleum	1,117	1,074	1,278
other	555	362	544

Source: *Historical Statistics of the United States. Colonial Times to 1970*, Part 2, pp 870-871.



The features of U.S. capital exports were even more governed by the stake American monopolies were placing on establishing their hegemony in the world. The direction of American capital exports was dictated by the goals of U.S. economic and political expansion, and U.S. support of militarism, reaction, and fascism.

In the period after World War I, American monopoly capital, exploiting the weakness of the economic and political positions of Great Britain, France, and Germany, and its own position as world banker, made vigorous efforts to establish its dominance on the world capitalist market. To that end it tried, above all, to subordinate the countries of Europe to itself financially, developed a bitter struggle to dislodge their capital from their colonies and regions within their spheres of influence, and endeavoured to strengthen its position in Latin America and other areas of the world. These strategic ideas also determined the direction of the main flows of capital from the USA over the whole period between the two world wars.

By exploiting the advantages she had gained from World War I, viz., the billions of profits made from war supplies to the Allies, her production apparatus, much expanded during the war, and the financial indebtedness of many countries, including Great Britain and France, the United States continued to win more and more new positions from Britain, France, and other countries with foreign investments, during the 20s and 30s. Even those countries that had been wholly or largely under the influence of British capital before World War I, for example the British Dominions, began to be the object of increased infiltration by American capital.

The same fate overtook many of the countries of Latin America. Before World War I most of the credits they needed had been obtained from European capitalists. But even before the war had ended the USA had already begun to invest capital in countries that had previously been the bailiwick of European bankers. Between 1914 and 1919, for instance, including the four years of the war, the USA invested more than \$100 million in official Latin American securities or enterprises controlled by governments. Later a whole flood of loans followed, and continued for ten years. In the end the total of all the Latin American securities issued in the USA had risen by more than \$2 billion compared with their issue during the whole nineteenth century. A characteristic feature of this process was the growth in the proportion of Latin American countries in Wall Street's loan operations; 90 per cent of the total of Latin American securities was held by U.S. capitalists.

U.S. monopoly capital not only continued to consolidate the positions won from Britain, Germany, France, Holland, and Belgium during World War I, but also began to dislodge their monopolies from regions that had formerly been their spheres of influence. In spite of Great Britain's persistent attempts to retain her old positions in Latin American countries, in Canada and other British Dominions, in the Middle East, and in Asian countries, U.S. influence in them grew, often accompanied with an absolute fall in the proportion of British capital (see Table 4.5).

Table 4.5

U.S. and British Capital Investments in Latin America, 1913-1939  
(\$ million)

1913		1929		1939	
Great Britain	4,983	Great Britain	5,889	Great Britain	5,000
USA	1,242	USA	5,587	USA	4,012

Source: cited from Rodney Arismendi, *Para un Prontuario del Dólar* (Ediciones Pueblos Unidos, Montevideo, 1947), p. 177.

Germany defended her positions in those areas no less stubbornly so as to retain her earlier share of the markets. She exploited her advanced, renewed production apparatus, often resorting to dumping.

In spite of the fact that Britain and Germany managed in some cases to retain markets in individual Latin American countries, the role of their capital, however, diminished on the whole, not to mention that of France, and there was a corresponding growth in the role of American capital.

Moreover, many European countries, which prior to World War I were the object of British, French, and German expansion, after that war flung their doors wide open for American capital.

This whole process of the ousting of British, German, and French capital by American from the economies of many countries did not, by any means, proceed smoothly. The contradictions between the USA and other imperialist states became very acute at times, which found expression in particular in the erection of high tariff barriers against rivals. In this struggle for markets and spheres of investment, the American monopolies came out the winners, as a rule.

The figures given in Tables 4.6 and 4.7 witness to the substantial shifts in the territorial distribution of American investments between the wars. These shifts, caused both by the changing conditions of the export of capital in the inter-war period and by the features of U.S. private foreign investments, led to a redistribution of the share of the main importers of U.S. capital in the total of investments.

Whereas the main flow of private capital had been from the USA to Western Europe in the 20s, the bulk went to non-European countries after the economic crisis of 1929-32, mainly to Latin American countries and Canada, rich in raw materials, where American monopolies counted on making very high profits. In 1940 69.6 per cent of American direct investment went to Canada and Latin America.<sup>8</sup>

<sup>8</sup> See *Historical Statistics of the United States. Colonial Times to 1970*, Part 2, p. 870.



Table 4.6

**Geographical Distribution of American  
Capital Abroad, 1914-1935**  
(\$ million)

	1914	1919	1924	1929	1935
Europe	691.8	1,986.8	2,652.8	4,600.5	3,026.0
Canada and New- foundland	867.2	1,542.8	2,631.7	3,660.2	3,657.6
Cuba and the West Indies	336.3	606.2	1,401.3	1,153.9	871.7
Mexico	853.5	908.9	1,005.1	975.2	912.9
Central America	93.2	114.8	155.3	286.3	192.0
South America	365.7	776.2	1,411.2	3,013.8	2,574.4
Africa	13.2	31.2	58.7	119.2	125.8
Asia	245.9	309.5	671.8	1,040.4	915.3
Oceania	17.0	54.2	140.7	403.0	413.1
International in- cluding banking	30.0	125.0	125.0	140.1	151.9
All long-term in- vestments	3,513.8	6,455.6	9,953.6	15,392.6	12,840.7
All short-term in- vestments	—	500.0	890.0	1,617.0	853.0
Total	3,513.8	6,955.6	10,753.6	17,009.6	13,693.7

Source: Cleona Lewis. *America's Stake in International Investments* (The Brookings Institution, Washington, D.C., 1938), p. 606.

Table 4.7

**Geographical Distribution of U. S. Direct Investments, 1914-1938**  
(\$ million)

	1914	1919	1924	1929	1935	1938
Europe	573.3	693.5	921.3	1,340.3	1,369.6	1,422
North America	1,205.5	1,457.4	1,815.9	2,366.6	2,344.1	2,582
Canada and New- foundland	618.4	814.3	1,080.5	1,657.4	1,692.4	...
Mexico	587.1	643.6	735.4	709.2	651.7	...
Central America and West Indies	371.7	679.8	1,136.7	1,276.4	891.3	862
South America	323.1	664.6	947.1	1,719.7	1,718.2	1,551
Africa	13.0	31.0	58.5	117.0	123.6	139
Asia and Oceania	236.5	227.7	384.2	608.3	647.3	587
Banking operations	30.0	125.0	125.0	125.0	125.0	...
Total	2,652.3	3,879.5	5,388.7	7,553.3	7,219.2	7,143

Sources: Cleona Lewis. *America's Stake in International Investments*, p. 606; *Idem*. *Debtor and Creditor Countries, 1938-1944* (The Brookings Institution, Washington, D.C., 1945), p. 8.

The USA pursued far-reaching aims on the North American continent, when extending the export of capital. After the total of U.S. investments in Canada overtook those of Great Britain, the issue of a change in Canada's relations with the USA and Britain began to arise. Political ties developed between the USA and Canada along with economic ones, through a weakening of Canada's relations with Great Britain. At the Imperial Conference of 1926 Canada's status was reviewed, and she got broader autonomy within the British Commonwealth of Nations. At the same time the USA acquired greater freedom of action in Canada.

Canada occupied first place in the total of American investments abroad, her share rising from 26.7 per cent in 1929 to 30 per cent in 1940.<sup>9</sup> This relative increase was due, in particular, to a weakening of the share of Western Europe, especially after the economic crisis of 1929-33.

Pinning great hopes on *Latin America* the USA proclaimed a 'good neighbour' policy there. This course, announced by Franklin Delano Roosevelt, took account, in particular, of the considerable growth of anti-American attitudes there. As the American writer Graham Stuart has noted, the situation in Latin America was extremely disquieting for the USA:

Mexico resented the exploitation of her oil wells and mineral resources by foreign corporations... Cuba was becoming more and more restive under the Platt Amendment, which permitted legalized intervention... Nicaragua, Haiti, and the Dominican Republic were either occupied by the marines or had just seen them withdrawn... Panama fretted under the Canal Treaty which gave the United States absolute control of the Canal Zone... Venezuela's oil, Peru's vanadium and copper... Brazil's coffee were all controlled by or dependent upon the United States markets.<sup>10</sup>

The USA took a number of steps in pursuit of this course: she repudiated the Platt Amendment to the Constitution of Cuba, abrogated the treaty that gave her the 'right' of armed intervention in Mexico's affairs, withdrew her troops from Haiti, and so on. Trade agreements were signed with several countries (Cuba, Brazil, Haiti, Colombia, Honduras, Nicaragua, Guatemala, Costa Rica, El Salvador, Ecuador, and Venezuela). The Export-Import Bank, founded then, was given the job of carrying on loan operations for countries of Latin America. Several commissions were set up to render Latin American countries aid in health protection, education, and industrial development.

William Z. Foster wrote of this as follows:

Widely, in Latin America and elsewhere, the Good Neighbor policy was mistakenly conceived as an abandonment of imperialism by the United States... But in reality, the Good Neighbor policy was simply a reformulation of the old imperialism... It was the adoption of more efficient methods of imperialist penetration. It constituted a system whereby the Latin American peoples had

<sup>9</sup> See *Historical Statistics of the United States. Colonial Times to 1970*. Part 2, p. 870.

<sup>10</sup> Graham H. Stuart. *Latin America and the United States* (Appleton-Century-Crofts, New York, 1955), pp. 248-249.



the semblance of national independence, but with the substance of general control remaining in the hands of the United States.<sup>11</sup>

In the middle of the decade Mexico, Cuba, Chile, and Brazil occupied first, second, third, and fourth place respectively in US investments in Latin American countries. As the figures in Tables 4.6 and 4.7 show, the overwhelming majority of the investments in Latin America were direct ones, reflecting the long-term trend in this penetration by American capital. But by 1940 there had already been a certain shift, as well as growth, in the volume of investment, and Cuba, Chile, Argentina, and Brazil had gone ahead (see Table 4.8).

Table 4.8

U.S. Investments in Latin America, 1940  
(\$ million)

Cuba	814.2	Venezuela	262.0
Chile	592.0	Colombia	238.1
Argentina	573.5	Peru	135.9
Brazil	492.1	Bolivia	81.4
Mexico	355.2	Guatemala	74.0

Source: cited from Rodney Arismendi. *Op. cit.*, p. 179.

The *European capitalist countries*, despite their relatively low weight in the total of U.S. long-term direct investments, continued to play an important role in the export of American capital throughout the period between the two world wars. At the beginning of World War II they accounted for 20.2 per cent of all U.S. direct foreign investments.<sup>12</sup>

Germany ranked first among the European countries as regards size of American investments, followed by Great Britain, Italy, France, Denmark, Norway, and Poland. This distribution reflected the international priorities of U.S. monopoly capital in Europe.

Germany was accorded a special place in these plans, the USA counting on exploiting her in the struggle with its recent Allies and now rivals (Great Britain and France) for hegemony in Europe. As the theses of the Sixth Congress of the Communist International in 1928 said:

The influence of American capital in Europe made itself most strongly felt in the economic recovery of Germany. From a State which had sunk to the lowest depths of economic ruin, Germany has again risen to great heights with the aid of systematic credits from the United States... The growth of monopolistic capitalism in Germany, on the one hand, accelerates the process of breaking up the Versailles Treaty and, on the other hand, causes Germany to adopt a more definitely 'Western' (i.e. imperialistic and anti-Soviet) orientation.<sup>13</sup>

<sup>11</sup> W. Z. Foster. *Outline Political History of the Americas* (International Publishers, New York, 1951), p. 431.

<sup>12</sup> *Historical Statistics of the United States. Colonial Times to 1970*, Part 2, p. 870.

<sup>13</sup> *International Press Correspondence*, 1928, 8, 83 (Special Number): 1569.

In 1938 Germany's share in the total of U.S. foreign investments (\$11.5 billion) came to 8.7 per cent. At the beginning of World War II all the American investments in Germany were valued at a billion dollars.

The main areas of American investment in *Asia and Oceania* were Australia, China, the Philippines, and Japan which received American loans not long before her attack on Pearl Harbor. Not only did hundreds of thousands of tonnes of American scrap metal arrive continuously in Japan for use in the Japanese militarists' preparations for new military adventures, and for war against the Chinese people, but the millions of dollars of American investments (according to the official figures \$155.3 million in 1938) served the same aim.

On the eve of World War II American capital had succeeded in penetrating countries in *Africa* as well, including Egypt, which U.S. monopolies had already then allotted a not unimportant place in their expansionist plans in the Middle East. American capital had also infiltrated deeply into the Belgian Congo (endeavouring to get its hands on the uranium mines there) and into Liberia.

A fact deserving notice is that at least 40 of the countries whose economies American capital had succeeded in penetrating in the inter-war period (not counting colonies) were in debt to the USA in 1938 for loans and credits. They included all the main capitalist countries of Europe (including ones like Sweden, Spain, and Switzerland that had not taken part in World War I), Asia, and the Western hemisphere.<sup>14</sup>

Loans and credits prepared the ground in the 20s and 30s, as instruments of U.S. economic expansion, for ever broader expansion of American capital subsequently (during World War II and the postwar period). The extension of U.S. capital exports brought American corporations huge profits in the inter-war period. The shifts in the distribution of U.S. investments among the various countries and regions, moreover, caused changes in the relative weight of the main importer countries in the total of profits repatriated from them by the USA.

As mentioned above, the economic crisis of 1929-33 and subsequent events in Europe in connection with the coming to power of fascism in Germany led to the export of U.S. capital being directed in the main to non-European countries. That caused a certain lowering of the level of U.S. profits from investments in Europe, but they nevertheless rose considerably on the whole over the 20 years from 1920 to 1940. According to figures of the U.S. Department of Commerce, the total of foreign investments of the USA was \$6.5 billion at the end of 1919, while the total of net investments in 1920-40 was \$6.9 billion. By the end of 1940 the USA had exported capital to a total of \$9.8 billion, while the income received from foreign investments in 1920-40 was \$13.9 billion.<sup>15</sup>

<sup>14</sup> See Cleona Lewis. *Debtor and Creditor Countries. 1938-1944*, p. 47.

<sup>15</sup> *Survey of Current Business*, 1944, 24, 11:11.



According to the same figures, U.S. profits from foreign investments exceeded the total of American investments abroad by \$7.0 billion in the period 1920-40. The revenues received then, plus the value of the foreign investments at the end of 1940, were \$10.3 million more than U.S. foreign investments at the end of 1919 and all the investments between 1920 and 1940 taken together (the World War I war debts do not figure in any of these estimates). Between 1920 and 1929 the average annual growth of profits from American direct investments abroad was 6.9 per cent, and between 1938 and 1940 7.4 per cent.

According to the estimates of the American economist Raymond Mikesell, based on official figures of the Department of Commerce, American monopolies got at least \$7 billion as net income alone from direct investments in the two decades under consideration. The total of U.S. direct investments was \$3.9 billion at the end of 1919 and \$7.3 billion at the end of 1940, while the net income from them over that period (after allowing for losses) was \$7.3 billion.

Although not direct investment was almost negligible after 1932 ... the receipts from this source had recovered to \$440 million by 1938 as compared with \$474 million and \$467 million in the boom years of 1928 and 1929 respectively.<sup>16</sup>

The losses borne by the USA from bankruptcies during the economic crisis and Hitler Germany's refusal to pay debts (\$3,554 million) were covered twice over by the U.S. receipts from invested capital (\$7 billion). Obviously, the attempts of certain American politicians and economists to picture things as if the USA suffered material losses from her foreign investments in the inter-war period are quite unsound. Their attempts were deceitful and a juggling with figures that have nothing to do with objective analysis or science.

The real facts confirm that American capital, waxing fat during World War I, and exploiting its position as world banker, continued to drain billions in profit from many countries in Europe, Latin America, Asia, and Africa through ruthless exploitation of their peoples and pillaging of their national wealth.

What that drain of resources meant for Latin American countries has been convincingly shown by Rodney Arismendi, a leading figure of the communist and labour movement.<sup>17</sup> Foreign investments in Latin America totalled \$10 billion in 1938, and belonged almost completely to Britishers and Americans. If we assume that they received a very modest average profit of 6 per cent, we see that \$600 million was being taken from Latin America in 1938; in other words, Latin American economies were being deprived of sums very necessary for their development. If those \$600 millions of capital had been invested annually for the reproduction of capital in those countries, it would have promoted rapid industrial and agricultural development, technical reconstruction, and a raising of the organic composition of local capital.

<sup>16</sup> Raymond F. Mikesell, *United States Economic Policy and International Relations* (McGraw-Hill, New York, 1952), p. 47.

<sup>17</sup> See Rodney Arismendi, *Para un Prontuario del Dólar* (Ediciones Pueblos Unidos, Montevideo, 1947), pp. 189-190.

According to the same figuring, the \$4 billion placed in Latin America by the United States yield an annual \$240 millions of super-profits.)

Arismendi wrote that he took a very low rate of interest for these calculations. According to the official statistics, it ranged from 4.1 per cent in Argentina to 17.1 per cent in Peru. Everything indicates that the average rate of interest was much higher. According to average data, petroleum yielded profits of 15.7 per cent, mining 12.3 per cent, transport 9.8 per cent, manufacturing 5.6 per cent, and public utilities 3.2 per cent.<sup>18</sup> At the same time he referred to operations connected with public utilities in Argentina (the level of profits of the Argentine cold stores was 10.5 per cent per annum for ten years), but as the biggest investments classed under 'manufacturing' in the statistics went into cold stores, the 6 per cent was clearly an underestimate.<sup>19</sup>

Arismendi noted that the rates of profit were always incomplete and distorted. When Lisandro de la Torre proposed in parliament that the cold-store companies be investigated, the fraudulent character of the accounts of the monopolist enterprises (from major swindles to minor failures) was disclosed. The cold stores of Swift & Co., the biggest of the North American companies involved in meat-packing, had a capital of 45,454,000 Argentine pesos. Over the five years 1930-35 they made a total profit of 91.6 million pesos, or a revenue of 40 per cent per annum; the company, however, showed lower figures in its books.<sup>20</sup>

In the debate in the Uruguayan Parliament on 29 October 1934 it was disclosed that Swift & Co. made around \$7.3 million in profit between 1930 and 1933 from a capital of \$6,875,000. The Frigorífico Artigas, a subsidiary of Armour & Co., admitted that the firm's annual receipts in Uruguay were \$1,240,000 in 'round figures'. When allowance is made for the fact that these figures are clearly understated, it is quite obvious that the capital invested (not more than \$7 million) was covered in less than six years, which caused a drain of astronomic sums from the Uruguayan economy. The Swift figures mentioned in the debate meant an average annual profit of 27 per cent.<sup>21</sup> They did not take currency manipulations and certain other secret operations into account.

Such were the commercial results of U.S. economic expansion for American monopolies between the wars. Below it will be shown how World War II not only did not reduce their revenues from the export of capital, but, on the contrary, increased them even more.

<sup>18</sup> See Rodney Arismendi, *Op. cit.*, p. 189.

<sup>19</sup> *Ibid.*, p. 190.

<sup>20</sup> Cited by Rodney Arismendi (*Op. cit.*) from the records of the Investigatory Commission of the Argentine Senate.

<sup>21</sup> Speech of Raul Jude (October 1934). Cited by Rodney Arismendi, *Op. cit.*, p. 191.



### §3. The role of U.S. monopoly capital in preparing World War II and the rebirth of German militarism

We remarked above on the special role that the USA assigned to Germany in the carrying out of her hegemonistic plans in the period after World War I, and in the struggle to establish American economic and political dominance in Europe, to grab the colonies and spheres of influence of the European countries, and ultimately to win a dominant position in the world capitalist economy.

The USA counted primarily on exploiting Germany's military and economic potential, restored with her help, and the reactionary political regime, as an outpost for struggle against the USSR, all progressive and democratic forces. American imperialism acted there in concert with the most reactionary forces of the monopoly capital of other countries. The successful development of socialism in the Soviet Union exposed imperialism's hostility to the radical interests of nations and its incapacity to deal with the social and economic problems maturing. The fight of the old, historically outlived capitalist system against growing and strengthening socialism deepened the inter-imperialist contradictions even further.

Use of Germany's economic potential in competition with Britain, France, Italy, and other European capitalist countries, which grew more acute after the war, had an important place in the plans of U.S. monopoly capital. Lenin repeatedly pointed out the aggressive character of German imperialism, and put it on an equal footing with the other groups of imperialist sharks as a bloody, sordid, mercenary, criminal, reactionary imperialist predator, the 'ringleader of world imperialism'.<sup>22</sup>

The unevenness of development, which is a law of capitalism, acquired new features after World War I. The general crisis of capitalism intensified the trend toward a slowing of technical progress. But that tendency was manifested more in some countries, e.g. Great Britain, while it had less effect in others (Germany and Japan). The further aggravation of the unevenness of capitalism's development was also linked with the international economic policy of monopolies. The growing importance of international corporations was making itself felt. And the line being pursued by the ruling circles of the capitalist victor powers toward Germany played a major role in the change in the balance of economic potentials.

That is the context in which U.S. postwar policy on German reparations and the Allied debts needs to be considered. Broad financial help was given to Germany in the form of loans and direct investments in order to achieve those aims; American monopolies' close collaboration with German cartels between the two world wars also helped real-

ise aggressive intentions. During World War II articles about this collaboration were splashed all over the pages of the world press.

Germany's production capacity had suffered substantially from military operations, reparation payments, and the occupation of the Ruhr in 1923 by France and Belgium: for several years the fixed capital of industry had not been renewed. There were no funds for broad modernisation of production, while, being deprived of colonies, Germany no longer received profits from outside sources. Her capitalist enemies in World War I were able, it seemed, to celebrate victory over their most dangerous rival, restoration of whose economic potential would inevitably drag on for years while production forged ahead in other capitalist countries.

At that critical time (1923-4) a new financial and economic foundation began to be laid beneath the shattered building of German imperialism. American monopolies played the predominant role in that, their former enemy in World War I increasingly becoming their close friend. The Transatlantic monopolists wanted to profit at the expense of the workers of Germany, because production costs, especially wages, were particularly low there in the early postwar years, which promised solid gains. By consolidating the power of capital in Germany, U.S. reactionary circles were methodically endeavouring to convert her into an 'anti-Bolshevik bastion' in Europe, and definitely placing their bets on reviving German imperialism's military power, seeing in it a suitable instrument for implementing their plans against socialism and the national emancipation of nations.

Germany was also accorded an important role, as we have already mentioned, in the competition. We saw, in connection with the war debts, the circumstances in which the USA conducted talks with the United Kingdom, which ended in the signing of an agreement that was followed by similar ones with several other countries, including France and Italy. During those negotiations Washington exploited the USA's growing weight and influence in order to force the Allies to accept all the main American demands. That, too, was an aspect of competition and rivalry. But even after the signing of those agreements the question of the war debts, nevertheless, hung like a sword of Damocles over many countries in Europe for nearly 15 years, because of its link with the other major knot of international contradictions, viz., Germany's payment of reparations.

As regards Britain and France this question was a constant reminder that there was a major means of pressure in U.S. hands, to which the American capitalist class repeatedly resorted in its foreign policy game in Europe. That, however, did not prevent Anglo-French ruling circles from finding a common language with the USA. When it came to fundamentals, the common platform on which the interests of the ruling circles of the USA, Britain, and France came together was their attitude to Germany, and their orientation on reviving German militarism, the sworn enemy of the USSR. They banked on extreme reaction, which postwar Germany became an example of; Lenin wrote in that connection:

<sup>22</sup> See V. I. Lenin. Position of the C. C. of the R.S.D.L.P. (Bolsheviks) on the Question of the Separate and Annexationist Peace. *Collected Works*, Vol. 27 (Progress Publishers, Moscow, 1977), p 60; *Idem*. The Tasks of the Third International. *Collected Works*, Vol. 29 (Progress Publishers, Moscow, 1977), pp 502-503.



Here we have 'the last word' in modern large-scale capitalist engineering and planned organisation, *subordinated to Junker-bourgeois imperialism*.<sup>23</sup>

The ruling circles of capitalist countries were trying to carry the war that was becoming imminent with their help beyond the limits of the capitalist system that engendered it, and to solve that system's internal contradictions and the class antagonism of the two social systems by war against the Soviet Union. A Joint Plenum of the Central Committee and the Central Control Commission of the RCP (B) in 1927 noted that

preparation of war against the USSR means nothing less than reproduction on an extended basis of the class struggle between the imperialist capitalist class and the victorious proletariat. That is what the class sense of this war will be.<sup>24</sup>

The resolution stressed that

while the internal contradictions between the different imperialist states are fraught with major conflicts between them (Anglo-American, Italo-French, Balkan and Central European, Polish-German, Japanese-American, etc.), that does not, on the other hand, exclude temporary blocs of these states against the USSR, i.e., direct military or financial support for forces directly waging operations against the state of the working class.<sup>25</sup>

The contradictions of imperialism and its class antagonism to the Soviet Union conditioned a growth of militarism in the internal affairs, ideology, and policy of the main capitalist powers. Militarism was called upon to serve the class aims of monopoly capital's home and foreign policy.

### 3.1. U.S. policy in regard to war debts and reparations and its role in the restoration of Germany's military and industrial potential

For the 12 years from the coming into force of the Versailles Peace Treaty (10 January 1920) to 8 July 1932, when Germany got a last moratorium on payment of reparations, the question of these and the related question of settling the Allies' war debts were a most important means in the hands of U.S. ruling circles and monopoly capital in implementing their hegemonist designs in respect to Europe and the world as a whole, a lever to revive Germany's military and industrial potential.

The various plans and measures in relation to Germany, including reparations, prepared on U.S. initiative and adopted jointly with her, were counted to do just that. Among the most important of them one must single out the Dawes Plan (1924) and the Young Plan (1930).

These plans, plus the other measures considered above, enabled Germany gradually first to reduce and then to rid herself completely of reparations payments, which were holding back her remilitarisation, to give the green light to the financing of German war industry, and to untie the hands of German concerns in reequipping all industry to preparation for a new world war.

<sup>23</sup> V. I. Lenin. *The Tax in Kind*. *Collected Works*, Vol. 32 (Progress Publishers, Moscow, 1975), p. 334.

<sup>24</sup> *KPSS v rezolyutsiyakh i resheniyakh s'ezdov, konferentsii i plenumov TsK*, Vol. 3, pp. 465-466.

<sup>25</sup> *Ibid.*

One of the main authors of the Dawes Plan, the German financial king, Hjalmar Schacht, who subsequently played a very important role in establishing the fascist dictatorship, openly boasted that he financed German rearmament with foreigners' money. With Germany's rebirth as a first-class industrial power German militarism again acquired an industrial base for plotting its plans for new aggression.<sup>26</sup>

The substance of U.S. ruling circles' policy on war debts and German reparations had already been most fully expressed in the Treaty of Versailles (28 June 1919), drafted with their direct participation.

Lenin repeatedly pointed out that the whole Treaty of Versailles and the system of treaties and agreements based on it were a usurer's peace, an oppressor's peace, a butcher's peace, a predatory peace tying down the workers of both the defeated and the victor countries.<sup>27</sup>

The Versailles system was aimed from its very creation at reviving German militarism, and faithfully served that end. It could not erect a reliable barrier in its path, and was not intended to do so in any way.<sup>28</sup> Analysis of the postwar policy of the USA and her Allies on enforcement of the Versailles Treaty's terms, and Germany as a whole, quite convincingly confirms the grounds for that conclusion.

The United States, as we know, categorically opposed linking of the question of the Allies' indebtedness to her with those of reparations and the inter-Allied debts as a whole. In spite of the efforts of Great Britain, France, and other countries in debt to the USA, no link between these issues was introduced into the respective treaties, which predetermined the character of the treaties concluded between the other Allied countries on settlement of their mutual indebtedness.

The government of France had tried to get the British government to agree during the negotiations that there should be a reservation in the Anglo-French agreement on settlement of their mutual accounts for the war period that repayment of France's debts to Britain should de-

<sup>26</sup> See G. A. Deborin *et al.* (Eds.). *Istoriya vtoroi mirovoi voyny 1939-1945* (History of World War II), Vol. 1 (Voenizdat, Moscow, 1973), pp. 20-21.

<sup>27</sup> See V. I. Lenin. The Second Congress of the Communist International. Report on the International Situation and the Fundamental Tasks of the Communist International. July 19, 1920. *Collected Works*, Vol. 31 (Progress Publishers, Moscow, 1977), p. 223; *Idem.* Speech Delivered at a Conference of Chairmen of Uyezd, Voynost and Village Executive Committees of Moscow Gubernia, October 15, 1920. *Op. cit.*, pp. 325-326.

<sup>28</sup> The Treaty of Versailles, which came into force on 10 January 1920, did not define the total of German reparations, or the conditions for their payment. It provided for the establishment of a Reparations Commission to fix, before 1 May 1921, the scale of the damage caused by Germany, the schedule of payments prescribing the time and manner of paying off the total debt over 30 years beginning 1 May 1921 (Part VIII, Article 233). But the same article had a reservation that if, 'within the period mentioned Germany fails to discharge her obligations, any balance remaining unpaid may ... be postponed for settlement in subsequent years'. According to Article 235 of the Treaty, Germany was to 'pay pending the full determination of their [Allied and Associated Powers'] claims ... in such instalments and in such manner (whether in gold, commodities, ships, securities or otherwise) as the Reparations Commission may fix, during 1919, 1920 and the first four months of 1921, the equivalent of 20,000,000,000 gold marks' (*The Treaty of Versailles and After. Annotations of the Text of the Treaty*, Greenwood Press, New York, 1968, pp. 428, 438).



pend on Germany's payment of reparations to France. Nothing came of the attempt, however, because the British government did not accept that point of view, pleading the stand adopted by the United States on settlement of the war debts.

The French Minister of Finance, Joseph Caillaux, wrote to Winston Churchill, who was then Chancellor of the Exchequer:

In assuming the responsibility of signing the agreement for the settlement of the French war debt to Great Britain and thereby accepting payment of the annuities fixed on the sole credit of France, I feel bound to explain that the payment of the amounts required to assure fulfillment of the debt settlements with the United States and Great Britain inevitably depends on the continued transfer of receipts from Germany under the Dawes Plan. If, therefore, for reasons outside of the control of France, such receipts should cease completely, or to an extent greater than one-half, a new situation would be created, and the French government reserves the right in such an event of asking the British government to reconsider the question in the light of all the circumstances then prevailing. It is subject to this express reservation that I am ready to sign the agreements which we may draw up.<sup>29</sup>

Churchill replied to this statement of the French government's as follows:

You will realize that in the hypothetical circumstances you mention Great Britain would already have suffered a diminution of receipts from the Dawes scheme, which we have taken into account in arriving at the various debt settlements, and this is one of the factors which would have to be borne in mind in the event of any reconsideration of the question being desired by the French government. Subject to this I do not object to the statement that you make.

In the event of any modification being made I should expect, in order to secure equal treatment among creditors, that the other creditors of France would take into consideration a corresponding modification of the debts due to them.<sup>30</sup>

The French government's reservation thus evoked an opposing one by the British government, which reduced the significance of the first to nought. The British gave it clearly to be understood that, in the case of Germany's not meeting her obligations for reparations to France, the latter could only count on concessions as concerns the payment of her indebtedness in the event of the USA's making concessions in regard to British indebtedness.

Nevertheless, in spite of the fact that the debts question was not directly linked with Germany's payment of reparations, either in the USA's agreements with her debtors or in the agreements signed by the other Allied countries between themselves on the settlement of their mutual debts for the war period, in practice there was such a link, and everyone recognised it. Both the European Allied countries and the United States clearly realised that irrespective of whether these agreements indicated a direct connection between these questions, they were, in fact, related, and that had to be taken into account.

This largely helped the ruling circles of the USA, Britain, and France to find a common language and to use both issues—war debts and reparations—in their plans for reviving German militarism and preparing a new war. In December 1922, when the USA and her European

<sup>29</sup> Cited from Harold G. Moulton and Leo Pasvolksy. *War Debts and World Prosperity*, pp 118-119.

<sup>30</sup> *Ibid.*, p 119.

debtors had not yet begun official negotiations on the debts question and were sounding out each other's positions in a preliminary way, Charles E. Hughes, the U.S. Secretary of State, was forced to admit the link between the debts and reparations. In a speech in New Haven he said:

So far as the debtors of the United States are concerned, they have unsettled credit balances, and their condition and capacity to pay cannot be properly determined until the amount that can be realized on these credits for reparations has been determined.<sup>31</sup>

The same idea was expressed in a recommendation by the Committee of Ways and Means of the House of Representatives in 1926 to the Congress on ratifying the agreement with France on settlement of the latter's war debts. The recommendation said that when France's capacity to pay her debts to the United States was determined, the considerations taken into account were her general financial position, and that 'payments from Germany should', according to the Dawes Plan, 'if all goes well, aggregate this year approximately 3.5 billion francs'.<sup>32</sup>

The USA's position, while the plan for liquidating 'war debts' to her and the various plans for collecting reparations from Germany were still in operation, boiled down to avoiding a situation arising that would endanger liquidation of the indebtedness to her, which could happen if the sums received as reparations from Germany did not cover those due to her by European countries' war debts. There was no danger of that, however, while Germany was paying reparations, since her reparations payments covered the debtors' payments to the USA. Right from the Paris Peace Conference (January 1919), the USA, pursuing a line of reviving militarism in Germany, had resisted any proposals about reparations if they, in the view of American ruling circles, weakened the possibility of developing Germany's heavy industry, the foundation of her war industry capability.

The USA's position at the Paris Conference and in the Reparations Commission set up under the Treaty of Versailles to determine the total of reparations, and find ways and means of their being paid and shared out among the countries concerned, is evidence of that. At the Paris Conference the USA did not want to go any further than recognition of the general principle of the need for Germany to pay compensation for the damage she did to the Allied states during the war.<sup>33</sup> Wilson had insisted on acceptance of the proposal in his Fourteen Points that envisaged Germany's 'evacuation and 'restoration' of the occupied territories of France, Belgium, Romania, Serbia, and Montenegro. After protracted discussion in the Conference all the Allies, and Germany too, accepted that proposal. The European Allies made a reservation that Germany should pay compensation for all the damage caused to their citizens and their property by German aggression by land, sea, and air.

<sup>31</sup> *Ibid.*, p 297.

<sup>32</sup> *Ibid.*

<sup>33</sup> The total damage (without war costs), according to the estimates of certain Western specialists—André Tardieu, John Maynard Keynes, and Emile Weil Raynall—came to 350 billion francs (1920), including France 218 billion, Britain 7.6 billion, Belgium 2.3 billion (see Richard Castillon. *Les réparations allemandes*. Les Presses universitaires de France, Paris, 1953, pp 17-18).



The American side treated the demands of several European states, especially of France, whose public understandably insisted on more radical measures in regard to Germany, more than coldly. The U.S. position then is recorded in the relevant documents, a considerable part of which were published after the Conference, and in the memoirs of participants, in particular of the well-known French politician André Tardieu, who cited valuable factual material about it, especially as regards the economic questions of the peace settlement with Germany.<sup>34</sup>

The question of the total of German reparations and of the size of the annuities in the concrete plan was first posed only in January 1921 at the Paris Conference of ministers of the Allied countries. Germany was presented with a demand to pay 236 billion gold marks over 42 years, beginning 1 May 1921, with fixed annuities rising from two to six billion marks.<sup>35</sup>

At the second London Conference (April-May 1921) at which the Reparations Commission's report on the state of payments was approved on the whole, the total of Germany's reparations was reduced to 132 billion marks (around \$35 billion),<sup>36</sup> and then reduced to 126.5 billion gold marks after 'amendment' at the same Conference, with payment over 48 years, beginning in 1921, of around 3.5 billion marks annually.<sup>37</sup> Schacht wrote in his book *The End of Reparations*, with ill-concealed satisfaction, that 'the attempt to collect these sums from Germany failed in less than two years'. He spoke with passion about 'Germany's sacrifices', the burden of 'military sanctions' in relation to 'peaceful German territory', 'the forcible seizure of railroads and mines', and 'the robbery of Reichsbank branches', to draw a conclusion about 'terrific economic distress', the absence of any positive financial results, and the Allies' finding themselves 'compelled to tread other paths'.<sup>38</sup>

The Dawes Plan adopted at the London Conference of July-August 1924 did not fix the total of reparation payments from Germany, but limited itself to defining the size of the annuities, which were much lower than those established at the second London Conference. Under this plan Germany was to pay one billion gold marks during the first

year (1924), 1,220 million in 1925, 1,200 million in 1926, 1,750 million in 1927, and then 2,500 million gold marks annually.<sup>39</sup>

The total payments thus did not exceed 3 to 4 per cent of Germany's national income.<sup>40</sup> The sum of 2.5 billion marks mentioned (or roughly \$625 million) was to be shared among the Allies as shown in Table 4.9.

Table 4.9

The Sharing of Reparations  
(per cent)

France	54.46	Romania	1.10
British Empire	23.04	Japan	0.75
Italy	10.00	Portugal	0.75
Yugoslavia	5.00	Greece	0.40
Belgium	4.50		

Source: H. G. Moulton and L. Pasvolksy. *War Debts and World Prosperity*, p 174.

The link between war debts and reparations is already clear from this plan, although (as mentioned above) it did not fix any total to be paid by Germany and her allies (Austria and Hungary, formed from former Austria-Hungary, and Bulgaria). Nevertheless, all the Allied states that approved it assumed that the amount of Germany's annuities fixed by it should exceed the annual sums they were to pay to the United States in liquidation of their debts. In other words, the annual receipts of each of the USA's debtors from Germany in the form of reparations were to exceed the amounts due to the USA in liquidation of the debts.

For all the vagueness arising from the absence of a fixed total for German reparation payments (which in turn was due to the fact that the authors of this plan considered it a temporary one), the USA's debtors assumed that the payments received from Germany would at least cover the totals of the debts payable by them to the USA, to which the USA was in fact reconciled.

Schacht interpreted the Dawes Plan as a means of restoring 'confidence in and outside of Germany', and of keeping 'German capital at home and [attracting] foreign capital'.<sup>41</sup> Quoting the plan, he declared (as if citing a textbook) that exchange rates could not be stable while receipts from abroad did not exceed transfers to foreign countries (including reparations).

<sup>39</sup> See R. C. Dawes. *The Dawes Plan in the Making* (The Bobbs Merrill Co., Indianapolis, 1925), p 247.

<sup>40</sup> In fact this percentage was an average annual deduction of 2.4 per cent in 1925-30. See Etienne Mantoux, *La paix calomniée* (Gallimard, Paris, 1946), p 237.

<sup>41</sup> Hjalmar Schacht. *Op. cit.*, p 39.

<sup>34</sup> See André Tardieu. *The Truth about the Treaty* (Hodder & Stoughton, London, 1921).

<sup>35</sup> Payments were to be made as follows: from 1921 to 1923 two billion marks a year; in 1923-6 three billion marks a year; in 1926-9 four billion marks a year; in 1929-32 five billion, and in 1932-63 six billion marks a year.

<sup>36</sup> See Harry D. Gideonse. *Transfers des réparations et le plan Dawes* (Librairie Payot & Cie Lausanne, 1928, p 14.

<sup>37</sup> R. Castillon. *Op. cit.*, pp 41-42. In the report of the Reparations Commission presented on 27 April 1921 the total of Germany's reparations payments for the damage she caused was originally set at 132 billion gold marks. In a new report adopted by the Reparations Commission on 5 May 1921 Germany's reparations debt was already fixed at 126.5 billion marks: 132 billion plus 5.5 billion in payment of Belgium's war debts, minus 11 billion marks of property claims.

<sup>38</sup> Hjalmar Schacht. *The End of Reparations* (Jonathan Cape & Harrison Smith, New York, 1931), p 38.



Loan operations [in the event of a passive balance of payments—A.A.G.] may disguise the situation or postpone its practical results, but they cannot alter it.<sup>42</sup>

he lectured. From that he drew the following 'material' conclusion: 'So reparations can be paid abroad only by means of an economic surplus in the country's activities.'<sup>43</sup> This 'economic diplomacy' essentially meant: if you want to get money from us help us to earn it, money, moreover, that is due to you in advance.

The Young Plan (so called after the chairman of the committee of experts, the American Owen Young, who drafted it) adopted at conferences in the Hague (August 1929 and January 1930) fixed Germany's reparations at 113.9 billion Reichsmarks, with payment over 59 years. This sum was to be paid in full in fixed annuities rising from 1,642 million Reichsmarks (1930-31) to 2,326 million marks (1963-4), with a subsequent diminution to 897 million marks in 1987-8. The size of the annuities, fixed with allowance for improvement of Germany's economic situation in the future, was lower, on the average, than those set by the Dawes Plan. The Young Plan envisaged that the main source for meeting reparations obligations would be the national budget and the profits of the railways.

Ernst Thaelmann, the leader of the German Communists, gave the following appreciation of the situation at that time, and of the West's diplomatic manoeuvres, especially the USA's:

World imperialism has displayed several forms of development—from the Dawes Plan to the Young Plan. At the time of the Dawes Plan it had tried, in particular under the leadership of American imperialism, to influence German politics through loans. In the present development [i.e. the time of the coming into operation of the Young Plan—A.A.G.] the international bourgeoisie is trying ... to penetrate the German economy by new methods... If it is pursued in the future in the development of the Young Plan, viz., long- and short-term loans, it will produce an impossible situation for a country like Germany, where the influence of the economic crisis is obviously in evidence.<sup>44</sup>

Further, he said:

American capitalism is infiltrating into enterprises by expanding its export capability... These measures of American capitalism already began to find expression during the Hague Conference. They already lie in the general economic orientation of the export drive that is starting from America... Just this significant fact, that foreign capital is also advancing into Germany with new oppressive measures, will be of the greatest import for the other enterprises. The rapprochement between France and Germany is advancing much faster than we ourselves foresaw.<sup>45</sup>

The indebtedness to the United States and Germany's reparation payments were linked to an even greater extent in the Young Plan. Its authors, above all its American initiators, drafting it in the committee of experts with the participation of Germany,<sup>46</sup> drew up a special

<sup>42</sup> Hjalmar Schacht. *Op. cit.*, p 40.

<sup>43</sup> *Ibid.*

<sup>44</sup> Ernst Thaelmann. Speech in the German Commission of the Extended Praesidium of the ECCI. *Reden und Aufsätze zur Geschichte der deutschen Arbeiterbewegung*, Vol. 2 (Dietz Verlag, Berlin, 1936), p 325.

<sup>45</sup> *Ibid.*, p 326.

<sup>46</sup> This (second) committee of experts, which was chaired by Owen Young, a member of the House of Morgan, and ex-president of the General Electric Co., con-

'concurrent memorandum' on the question of war debts, which said that any reduction in payments on the war debts made by countries receiving reparations from Germany should result in 'a corresponding mitigation of the German annuities'.<sup>47</sup> Germany's reparations annuities

were so arranged that at no time during the first 37 years would the out-payments of the creditors, on account of their own war debts, exceed the conditional portions of the current German instalments.<sup>48</sup>

i.e. the so-called 'unconditional' reparations payments.<sup>49</sup>

The Young Plan was thus a compromise as regards linking the war debts and reparations questions. The fact that this link was first established in a document drafted jointly with U.S. representatives shows that the United States was beginning to meet the demands of Britain and France half-way. At the same time the 'concurrent memorandum' was not formally an integral part of the Young Plan, but a separate document, which meant that the USA wanted, from the formal, juridical aspect, to keep to its position of the end of the 20s as it had held earlier on this issue.

In fact there was a conspiracy between American monopoly capital, which had already been long prepared to free Germany from paying any reparations, and the Anglo-French capitalist classes. The French government, it is true, raised objections from time to time against some of the proposals of the U.S. government or its experts during the drafting of the Dawes Plan and its successor, the Young Plan. But these objections consisted in the main in demands to increase France's share of the reparations.

Even when France and Belgium decided under the pressure of public opinion to resort to a dramatic gesture, with Great Britain's tacit agreement, and a passive attitude by the USA (which restricted itself to withdrawal of its army of occupation as a protest), and moved their troops into the Ruhr in December 1922 and January 1923, the French government was pursuing a narrow aim, i.e. of getting Germany's fulfilment of the obligation to pay reparations imposed on her.

In that tense situation, when Germany's further meeting of her obligation for reparations was endangered, and the Franco-British contradictions on this issue became extremely acute,<sup>50</sup> Charles Hughes, the U.S. Secretary of State, suggested (in his New Haven speech on 29

sisted, from the American side, of J. P. Morgan himself, his partner T. W. Lamont, and the banker T. N. Perkins, and from the German side of Hjalmar Schacht, president of the Reichsbank, and Albert Voegler, member of the German steel cartel (Vereinigte Stahlwerke), who subsequently collaborated closely, as leaders of American companies, with German concerns and played an important role in the militarisation of fascist Germany.

<sup>47</sup> Cited from H. G. Moulton and L. Pasvolsky. *Op. cit.*, p 193.

<sup>48</sup> *Ibid.*, p 194.

<sup>49</sup> The Young Plan provided for obligatory, or unconditional annuities of 660 million Reichsmarks for the first 37 years, and conditional payments, the size of which was not specified in advance, for the remaining 22 years. The total of the conditional payments could not be altered, but their payment could, if necessary, be postponed (see *Accords conclus à la Haye en août 1929 et janvier 1930*, Vol. 1, Imprimerie nationale, Paris, 1930).

<sup>50</sup> H. D. Gideonse. *Op. cit.*, pp 15-19.



December 1922, mentioned above) that a group of experts be appointed to look for a new approach to tackling the question of reparations from Germany.<sup>51</sup> It was a suggestion that gave birth to the notorious Dawes Plan, calculated to revive Germany's military-industrial capability. What the USA wanted from Germany was already clear then, because the idea of the need for new measures in relation to Germany in the interests of German Big Business ran like a red thread through Hughes' speech. But perhaps the most striking example of how U.S. ruling circles were using the war debts question as a lever to revive Germany's war industry capability was the Hoover Moratorium.

The economic crisis had gripped all the main capitalist countries in the middle of 1931, including Germany. In the crisis conditions the Young Plan, and the Allies' other measures meant to give German industrial concerns help and to plunder the working people of Germany, led to the bankruptcy of major German banks, to gold beginning to flow rapidly from Germany to other countries, and to her general economic situation deteriorating day by day. In addition, the crisis led to a disorganisation of international trade, caused a steep fall in exports, and further aggravated the problem of markets. The practical possibilities of paying reparations were limited in those conditions, since it became impossible to get the foreign exchange needed for that purpose.

In June 1931 the German government, using the economic crisis as a pretext, demanded a review of the Young Plan, which got a favourable response in the White House. The existing conditions were recognised by the United States as suitable for ending all reparations and even for untying the hands of German armament concerns to develop a war industry. Herbert Hoover, the then President, and the big banks and U.S. monopolies supporting him, decided to put forward a proposal for a year's moratorium (postponement of payments) openly (on 20 June 1931)<sup>52</sup> in respect to Germany's reparations payments and the debts of foreign governments to the United States. Two circumstances here merit attention.

When it became a matter of giving German militarism help, the American government did not hesitate to extend the moratorium to the USA's Allied war debts as well, although it had hitherto insisted always and on every point on their unconditional payment. In spite of its stand of not permitting the question of the debts to be linked directly (not even, moreover, in a single official document) with that of reparations, this time the American government itself linked them.

The moratorium on debt payments to the United States increased the chances of this step being supported by her European Allies. The authors of the moratorium plan were not mistaken. Objections were raised only in France, whose reparations receipts considerably exceed-

<sup>51</sup> Hughes' proposal was originally transmitted through diplomatic channels, but remained unanswered.

<sup>52</sup> The moratorium operated from 1 July 1931 to 30 June 1932.

ed the sums due from her on debts to the United States and Great Britain. The French government, fearing to find itself isolated and hoping to get a mitigation of its own debt burden in return for its agreement, did not object to the moratorium as regards debts, but raised objections to the moratorium on reparations, especially as regards the 'unconditional' sums. In a note of 24 June 1931 to the State Department, it argued that such action created a 'great risk of shaking confidence in the value of signatures and contracts, and thus of proceeding contrary to the aim in view'.<sup>53</sup>

But, as before in similar cases, the French government made a compromise deal with the U.S. government on 6 July 1931, which consisted, essentially, in the USA's recognising the necessity of Germany's payment of the 'unconditional' part of reparations, while France agreed to the American proposal to grant Germany a loan for that purpose. American and German monopoly capital, which had formed a bloc, of course benefited first and foremost from this deal.

By agreeing to a year's postponement of payment of the debts, the USA on the whole achieved her aim of ultimately getting the support of all her European debtors of the American moratorium proposal, though with certain modifications. Having done a favour to the German militarists and German fascism, which was raising its head and preparing to seize power in the country, and having adroitly used the debts question as a kind of small change for her purpose, the United States did not fail to stress that she had not altered the substance of her position on this question, and that the indebtedness must, in principle, be liquidated.

U.S. official circles try, by misrepresenting the historical facts, to present matters as if the moratorium decision had been dictated by the United States' striving to render Germany economic aid so as to put her economy on a healthy footing. This official version is played in various keys by a whole band of bourgeois economists, historians, and journalists. But the facts indicate that it pursued another aim, viz., that of helping Krupp, Thyssen, I.G. Farbenindustrie, and other magnates of German capital.

New American loans flowed to German industrialists in a broad stream after the moratorium. As for 'putting the German economy on a healthy footing', the year's postponement of reparations payments could not have pulled it out of its critical state, just as the measures taken by the Hoover Administration within the USA were unable to pull the American economy out of the crisis. The Hoover Moratorium prepared the ground for full rejection of the demand to squeeze reparations out of Germany and cleared the way for cancelling all reparations payments and for the granting of full freedom to German industrial concerns to reorientate the whole industry of Germany on preparation for a new war.

The next and not fortuitous political act prepared with active U.S. involvement was the agreement reached among the Allies at the Lau-

<sup>53</sup> Cited from H. G. Moulton and L. Pasvolsky. *Op. cit.*, p 327.



sanne Conference (16 June-9 July 1932), which in fact freed Germany from payment of reparations.<sup>54</sup> All that Germany had to do after that conference was to redeem her reparation obligations for a sum of three billion marks over 15 years at 5 per cent per annum. These obligations replaced all the other German government commitments under the Young Plan which, as a result, were almost fully annulled. The Young Plan, which had not existed for two years, thus ended like its predecessor, the Dawes Plan, in fiasco.

What were the financial results of the policy of the USA and her Allies on the reparations question between the two wars? According to the data published in the reports of the Reparations Commission and the Bank for International Settlements, the total of Germany's payments during the whole reparations period (from 1919 to 30 June 1931) was 21,807 million gold marks, or 17.2 per cent of the sum of 126.5 billion marks fixed by the international conference. Of this sum 10,526 million marks were paid before 31 August 1924, 7,553 million under the Dawes Plan (between 1 September 1924 and 31 August 1929), and 3,728 million under the Young Plan (between 31 August 1929 and 30 June 1931).<sup>55</sup>

It is typical that Britain and France had both already declared their solidarity, before the Lausanne Conference, with the political aims that found expression in the Hoover Moratorium. The then French Premier Laval, who visited Hoover in October 1931, found a common language with U.S. ruling circles. The joint statement published after the Laval-Hoover meeting already clearly hinted that the initiative on the question of postwar inter-governmental obligations should lie in the future with the European countries most interested, and that the two governments reserved their positions. It also stated:

In so far as inter-governmental obligations are concerned, we recognize that prior to the expiration of the Hoover year of postponement some agreement regarding them may be necessary covering the period of business depression, as to the terms and conditions of which the two governments make all reservations. The initiative in this matter should be taken at an early date by the European powers principally concerned within the framework of the agreements existing prior to July 1, 1931.<sup>56</sup>

The American-French statement was justifiably evaluated as a granting of the initiative on this question to Germany.

<sup>54</sup> With the exception of two problems, viz., the mines in the Saar and the bonds issued in accordance with the Dawes and Young plans.

<sup>55</sup> See R. Castillon. *Op. cit.*, p 67.

According to the estimates of the French economist Etienne Mantoux, Germany received foreign investments totalling 35 to 38 billion marks between 1920 and 1930, while its reparations payments came to 21 billion marks (E. Mantoux. *Op. cit.*, p 248).

According to other figures, all Germany's reparations payments came to eight billion gold marks in the period between 1919 and the Lausanne Conference of 1932. For comparison's sake suffice it to note that Germany received 18 billion marks in foreign loans and credits between 1924 and 1930 alone. See A. T. Bonnell. *German Control over International Economic Relations, 1930-1940* (University of Illinois Press, Urbana, 1940), pp 15-18.

<sup>56</sup> Cited from H. G. Moulton and L. Pasvolksy. *Op. cit.*, p 347.

The facts indicate how hypocritical were the claims that the USA was giving aid to the German public by the Hoover Moratorium, and helping put the German economy in order. Only German Big Business gained from it. As for the population of Germany, it not only did not get any material relief, but, on the contrary, felt the burden of mounting taxes even more, especially in connection with the coming to power of the Hitlerites, which happened two years after the moratorium.

The apologists of U.S. monopoly capital's policy in relation to Germany depict the rendering of aid to German financial and industrial magnates as aid to the German people. By falsifying the historical facts American bourgeois historians and economists (Harvey E. Fisk, Harold G. Moulton, Leo Pasvolksy, Raymond Mikesell, Cleona Lewis, O. Studensky, and others) stress one side of the business in every way, viz., the USA's persistence in her demands aimed at reducing German reparations, deliberately passing over in silence the question of whose mills in Germany were brought grist to by American capital over the decade and a half that the two knots of contradictions (reparations and war debts) were the object of political struggle and wheeler-dealing.

Right from the outset U.S. monopolies had not been making it their aim to ensure peaceful development of the German economy. The United States displayed 'concern' for it only in so far as that was necessary in order to achieve her aims. That point is confirmed by the very first agreed measures undertaken jointly with the USA in relation to Germany, which shifted the whole burden of reparations payments on to the working strata of her population. The source of the greater part of the reparations was the national budget, i.e. primarily taxes, direct and indirect, paid by workers, peasants, and employees. Only a small part of them was covered from the profits of industrial and railway undertakings, and that part, too, was paid in the long run by the working people, since the German monopolies waged an offensive against the workers' wages, while themselves making huge and ever mounting profits with the support of American loans.

The whole policy of American ruling circles on the war debts and German reparations, which had revival of Germany's war industry potential as its aim, was calculated, as well, to make other countries and nations dependent on American capital, which found its fullest expression in the Treaty of Versailles, drawn up with the USA's direct and active involvement.

Lenin noted as a positive event the publication in 1919 of *The Economic Consequences of the Peace* by J. M. Keynes, the eminent British economist, one of the participants in the Paris peace negotiations, in which Keynes sharply criticised the economic provisions of the Treaty of Versailles, and demonstrated that all the countries, except the USA, had fallen into the category of debtors. In his report to the Second Congress of the Communist International (19 July 1920), Lenin cited facts about the relations of the debts of the main Allied countries involved in the war to their national wealth as follows:



In the victor countries, Britain and France, the ratio of debts to aggregate national wealth is over 50 per cent; in Italy the percentage is between 60 and 70, and in Russia 90. As you know, however, these debts do not disturb us, because we followed Keynes's excellent advice just a little before his book appeared—we annulled all our debts.<sup>57</sup>

Lenin cited figures from Keynes' book on the financial position of France, which had been a world usurer before and even during the war. After the war France's assets were 3.5 billion gold roubles, and liabilities 10.5 billion.

And this is a country which the French themselves called the world's money-lender, because her 'savings' were enormous; the proceeds of colonial and financial pillage—a gigantic capital—enabled her to grant thousands upon thousands of millions in loans, particularly to Russia. These loans brought in an enormous revenue. Notwithstanding this and notwithstanding victory, France has been reduced to debtor status.<sup>58</sup>

Lenin valued Keynes' book, in which the latter criticised the system of economic relations among countries established by the Treaty of Versailles, and came out in favour of cancelling the war debts, including Russia's, because it was a 'well-known bourgeois and implacable enemy of Bolshevism', and not a Communist revolutionary, who had come to that conclusion.<sup>59</sup>

At the same time Lenin ridiculed Keynes for his 'usual crankiness of the philistine', and for the fact that, while advising the cancelling of all the debts, he said that only Franco, of course, stood to gain, that Britain naturally would not lose very much, because nothing could be got out of Russia in any case; and that America would lose a fair amount. But, Lenin commented,

Keynes counts on American 'generosity'! On this point our views differ from those of Keynes and other petty-bourgeois pacifists. We think that to get the debts annulled they will have to wait for something else to happen, and will have to try working in a direction other than counting on the 'generosity' of the capitalists.<sup>60</sup>

He pointed further in his report, by citing the example of the rise in the prices of products in the USA, Britain, France, and Japan, what the policy of the capitalists of the victor countries had led to, was shifting payment of the billions of the debts onto the people's shoulders.

The workers' own experience is convincing them [Lenin said] that the capitalists have become prodigiously enriched by the war and are placing the burden of war costs and debts upon the workers' shoulders...

The capitalists have accumulated such debts that the whole world is in bondage to a handful of men. Meanwhile the workers' living conditions are becoming more and more unbearable.<sup>61</sup>

<sup>57</sup> Cited by Lenin from M. I. Braun. *Who Must Pay the War Debts?* (published in German in Leipzig in 1920) in his report of 19 July 1920 to the Second Congress of the Communist International (*Collected Works*, Vol. 31, p 220).

<sup>58</sup> V. I. Lenin. The Second Congress of the Communist International. *Op. cit.*, p 220.

<sup>59</sup> *Ibid.*, p 219.

<sup>60</sup> *Ibid.*, pp 220-221.

<sup>61</sup> *Ibid.*, pp 221, 222.

### 3.2. U.S. capital investments and their role in reviving Germany's military and economic capability

An integral part of the line taken by U.S. ruling circles and monopoly capital in resurrecting German militarism were: the granting of enormous financial help to Germany, chiefly in the form of loans and credits, the export of industrial capital there, the transfer of advanced technology, and the creation of numerous cartels.

The Dawes Plan considered above played a substantial role in the realisation of these intentions. Taxes on consumer goods, which meant shifting the burden of reparations onto the shoulders of the German working people, were the main source of reparations payments. The Dawes Plan was also counted on sales of German industrial output on the Soviet market, which was to undermine industrialisation of the USSR and turn it into an agrarian and raw material appendage of capitalist Germany.

An element of this Plan was the granting of a reparations loan of \$200 million to Germany in October 1924, of which \$110 million were placed in the United States. The first big postwar loan paved the way for the many new loans that flowed to big German concerns.

In the quinquennium after the floating of the reparations loan, the total of new foreign investments in Germany, it is estimated from the data of official reports, came to 21 billion marks. An official report on the question of reparations, prepared and published in West Germany in 1948, admitted that the reparations programme could only have been carried out thanks to foreign capital, the total of which rose by 13.7 billion Reichsmarks between 1924 and 1 September 1929, while reparations payments were 7.9 billion Reichsmarks at 1 September 1929.

The following classification of these resources was given in the historical survey *Falsifiers of History*<sup>62</sup>: the flow of foreign investments into Germany was more than 10 to 15 billion marks of long-term investments and more than six billion marks of short-term ones.<sup>63</sup> The total sum of foreign capital in Germany in 1924-9 was 2.8 times higher than its reparations payments in the same period (7,533 million marks). The overwhelming part of this sum consisted of American capital investments, which amounted 'to no less than 70 per cent of the total long-term loans'.<sup>64</sup>

According to the official study mentioned above, prepared after World War II in West Germany, around 70 per cent of the total of the capital imported by Germany in 1925-8 was U.S. investment, 14 per

<sup>62</sup> See *Falsifiers of History (Historical Survey)*, Foreign Languages Publishing House, Moscow, 1948.

<sup>63</sup> According to the estimates of Western economists based on the reports of the commissions set up in accordance with the Dawes and Young plans, the import of foreign capital into Germany constituted nine billion marks of long-term investments and 12 billion marks of short-term loans and credits (see E. Mantoux. *Op. cit.*, p 236; R. Castillon. *Op. cit.*, p 53).

<sup>64</sup> *Falsifiers of History*, p 8.



cent Dutch, 10 per cent British, and 4 per cent Swiss.<sup>65</sup> According to far from complete data, Germany received 36 American loans between October 1924 and December 1926 alone. In addition, the United States, jointly with European countries (mainly Great Britain, Holland, and Switzerland), granted Germany 33 loans in the same period. The total of American loans for the two-year period, plus the reparations loan (1924), came to \$580.8 million.<sup>66</sup> The U.S. share in all the loans Germany received (\$885 million) was 65.6 per cent.

The facts also indicate the role of foreign investments in the German economy, especially American ones, in re-establishing Germany's war industry potential. In the five years of the operation of the Dawes Plan alone (1924-9) her industrial output reached the prewar level, and her exports came to 13.4 billion gold marks, against ten billion in 1913.

The Young Plan (31 August 1929 to 30 June 1931), which replaced the Dawes Plan and pursued the same aim, i.e. restoration of the German military-industrial potential, opened the sluice-gates even wider for the penetration of American capital. An integral part of the Plan's machinery was the Bank for International Settlements (BIS), set up with the active involvement of U.S. bankers by a decision of the Hague Conference (August 1931), which replaced the abolished Reparations Commission. Officially it was the Bank's function to handle operations connected with Germany's reparations payments and the mutual settlements of inter-Allied debts, including the war debts to the United States.<sup>67</sup> In fact the Bank performed the broader task of co-ordinating the operations of the biggest banks of the capitalist world, above all the American ones, in financing German war industry. Since its organisers had already considered the old forms of financing to be unsuitable, it had been decided to set up an agency that outwardly did not appear to be an official inter-governmental institution, but through which the line adopted in relation to Germany could be implemented, i.e. that of re-establishing German militarism.

That also explains the fact that the authors of the Young Plan outwardly decided to switch the whole problem of German reparations from political rails to economic, commercial ones. Hence the decision

<sup>65</sup> See R. Castillon. *Op. cit.*, p 53.

<sup>66</sup> See R. R. Kuczynski. *American Loans to Germany* (The Macmillan Co., New York, 1927), p 29.

The number and total of American loans to Germany was much higher in fact than the official reports indicated. In citing these figures from official reports, Kuczynski said in his book that they did not include many private American loans, especially short-term ones, information on which was not published. According to incomplete data, there were at least 18 such loans in 1924-6 totalling \$80 million. The figures cited above also do not include certain other types of American loans, invested in the German economy. They do not include the loans and credits received by the enterprises in Germany that were the property of American companies, which also played a role in strengthening the war industry machinery of remilitarised Germany. Loans made to German corporations and firms located in the Saar were also excluded; under the Treaty of Versailles this area was placed under the control of the League of Nations until 1935.

<sup>67</sup> Convention du 20 janvier 1930. Annexe: Statuts de la Banque des Réglements Internationaux, art. 4. See R. Castillon. *Op. cit.*, p 59.

to wind up the Reparations Commission then existing, which consisted of official representatives of governments, and to replace it by a formally non-political agency in which the whole matter of settlements with Germany and her financing would be effected through purely banking machinery. That did not in substance alter the position, because it rested on the basis of the same policy toward Germany.

The Bank for International Settlements was thought of from the start as an association of the leading banks of the member countries. It was not fortuitous that the main proposals for it were drafted by the American bankers Owen D. Young, Walter W. Stewart, Shepard Morgan, and W.R. Burgess, while the American banker Jackson E. Reynolds was chairman of the organisation committee that wrote the Bank's statute.<sup>68</sup> That the American bankers defended their interests quite well will be seen from the fact that the USA immediately signed the statute of the Bank confirmed at the Hague Conference, although she had previously taken part in the drafting of the proposals only in an unofficial capacity, through her experts. It is also not without interest to note that, after her signing of the Bank's statute, the United States was represented on its board of directors by three leading American banks: viz., J.P. Morgan and Co., the First National Bank of New York, and the First National Bank of Chicago.

The tone in international settlements was thus set by the biggest bankers of Wall Street. It is not surprising, therefore, that the London Conference of seven countries, held in July 1931, made its central issue, on their suggestion, the question of finding new ways of financing Germany. The American representatives at the Conference, Secretary of State Henry Stimson and the Secretary of the Treasury, the millionaire Andrew Mellon, demanded close co-operation from the participants on the matter of financing Germany. These demands did not prove barren. A result of the Conference, whose decisions were based on the American demands, was agreement on converting the short-term loans to develop Germany's war industry, previously granted, into long-term ones.<sup>69</sup>

The scale of the financing of Germany by the United States and certain European capitalist countries in the inter-war period is indicated by the following figures. In 1931, when the Young Plan finally collapsed, the total of foreign capital in Germany was around 30 billion marks, according to the report of the Young Plan consultative committee.<sup>70</sup> According to other sources, it was much higher; for instance, according to the estimates of the French economist Etienne Mantoux, mentioned above, based on published data, Germany received a total of between 35 and 38 billion marks from 1920 to the end of 1930, while reparations payments in the same period came to 21 billion marks.<sup>71</sup>

<sup>68</sup> See H. G. Moulton and L. Pasvolsky. *Op. cit.*, p 219.

<sup>69</sup> The Bank for International Settlements continued to perform its functions connected with rendering Germany financial aid throughout the whole period of the existence of the fascist regime; the German member of the board, moreover, was Hitler's 'financial wizard' Hjalmar Schacht, the president of the Reichsbank.

<sup>70</sup> See R. Castillon. *Op. cit.*, p 53.

<sup>71</sup> See E. Mantoux. *Op. cit.*, p 247; R. Castillon. *Op. cit.*, p 69.



A later study by the American economist A.C. Sutton put the total of foreign investments in Germany between 1924 and 1931 at about 33 billion marks.<sup>72</sup>

More than half of Germany's total foreign debts on loans and credits came from the USA, and at least 70 per cent of her long-term credits. According to Kuczynski's estimates, based only on official publications,<sup>73</sup> 135 German loans were floated abroad between 14 October 1924 and 30 July 1930 to a total of at least \$1,430.5 million, of which \$1,239 million were bonds issued in the USA.<sup>74</sup> When loans made to Germany by the United States are considered, we must also note the important fact that their main recipients were the biggest German monopoly associations.<sup>75</sup> The funds were earmarked by the biggest U.S. banking corporations, mainly those of the Morgans and the Rockefellers, who strove from the beginning to get the financing of German war industry concerns into their hands.

The biggest reparations loan in the period concerned was made by a bank group headed by J.P. Morgan and Co. Other major American banks also figured in this, like the Chase National Bank, the Equitable Trust Co., Speyer & Co., the American and Continental Corporation, which played a particularly conspicuous role in financing Germany's rearmament. These banks in the main belonged to the Morgan and Rockefeller financial groups.

Analysis of the American long-term loans made to private German concerns and companies indicates that they mainly went to the development of such industries as steel, chemicals, coal, mechanical and electrical engineering. There was a kind of specialisation, moreover, among the separate banks. The Chase National Bank, for instance, mainly

<sup>72</sup> See Antony C. Sutton. *Wall Street and the Rise of Hitler* (Bloomfield Books, Sudbury, Suffolk, 1976), p 24. According to other estimates, Germany's capital imports (from the time the currency was stabilised to December 1930) came to between 25 and 27 billion marks in 1924-30. See I. M. Faingar. *Vopros o reparatsiyakh posle vtoroi mirovoi voyny* (The Question of Reparations after World War II), Pravda, Moscow, 1946, pp 10-11. According to yet other estimates, Germany received 9.3 billion marks in long-term investments in 1925-30, more than 12 billion in short-term loans, and four billion of investments, mainly in industrial firms. See I. I. Goldstein and R. S. Levina. *Germansky imperializm* (German Imperialism), Gospolitizdat, Moscow, 1947, p 178. A. T. Bonnell cited figures that Germany imported 14.8 billion Reichsmarks in capital between 1924 and 1928 (*Op. cit.*, p 18).

<sup>73</sup> The data published by American banks and the U.S. government on investments abroad, especially in Germany, it should be noted, are fragmentary and incomplete, and underestimate their actual amount. Many private loans made by various American banks and corporations (mainly short-term ones) were not reported in the press, and information on them was not included in the official accounts. The facts about several loans and credits of a 'delicate nature' made to Germany were passed over in silence for one political consideration or another. The reports also did not include loans made to Germany by American banks jointly with those of other countries, for purposes of concealment.

<sup>74</sup> See R. R. Kuczynski. *Banker's Profits from German Loans* (The Brookings Institution, Washington, D.C., 1932), pp 150-155.

<sup>75</sup> The American economist Robert W. Dunn, citing American loans to Germany in 1924-5, pointed out in his book *American Foreign Investments* (B. W. Huebsch and the Viking Press, New York, 1926, p 146) that the recipients invariably included the biggest German armaments concerns (Krupp, Thyssen, and Siemens).

made loans to the chemical industry, Dillon, Read & Co. to the steel and coal industries, W.A. Harriman & Co. and the American and Continental Corporation to development of the electrical engineering, and the syndicate headed by the Guaranty Co. to the building of new German industrial enterprises and lines of communication. In other words, the American capital lent went mainly into those industries that constituted the base for the subsequent development of Germany's war industry.

Germany's lack of strategic raw materials was overcome by U.S. aid; production of synthetic fuel, and artificial rubber and fibres was begun. German heavy industry was renewed and modernised within several years. The revival of heavy industry, and the most perfected technique and technology of the time, enabled it to outstrip the industry of the other capitalist countries of Europe. Analysis of the data on the purpose of the foreign loans made to Germany is very indicative in this respect (see Table 4.10).

Table 4.10

German Loans Placed Abroad (primarily in the USA)  
in 1924-1930

Borrowers	Number of loans	Total issue (\$ million)
German Republic	2	208.25
States	41	135.0
Provinces and municipalities	20	109.4
Public utility corporations	41	303.7
Industrial corporations	28	301.725
Public credit institutions	19	253.35
Private commercial corporations	11	105.6
Religious organisations	3	13.5
Total	135	1,430.525*

\* Of this \$1,239 million on the New York money market.  
Source: R. R. Kuczynski. *Banker's Profits from German Loans* (The Brookings Institution, Washington, D.C., 1932), p 5.

It follows from the figures in Table 4.10 that the bulk of the total loans (industrial corporations, public credit institutions, and private commercial companies) was meant to increase Germany's industrial capability. The rest was not excluded from that: loans to public utility corporations and municipalities, like the loans under the other headings, were used to build bridges of a military-strategic significance, ports, canals, dams, steel and chemical works, etc.<sup>76</sup> The German

<sup>76</sup> In Kuczynski's book mentioned above (*American Loans to Germany*) examples are cited of how a substantial part of the American loans under the item 'Public utility corporations' were intended from the start, by the terms of the agreements, for the building of railways, mines, etc. In fact this classing of the loans was a kind of camouflage. Such, too, was the purpose in reality of the loans made to municipalities, provinces and public credit institutions.



monopolies, learning from the experience of World War I, developed a war industry potential in the first place, with the active involvement of American and British capital. The establishment of the Hitler dictatorship made it possible to pursue the previous course with the application of new methods at incomparably faster rates and a greater scale than before. The most aggressive circles of monopoly capital were well aware that Hitler had already declared in the autumn of 1934:

If I come to power now, I will order the War Minister to come and will ask him: what does the total rearmament cost? And if he asks for 20, 40, 60, even 100 billion, he will get it immediately, and then he will arm, arm—arm, until we are ready, and then, then...

When one of those at the meeting remarked: 'Then the world will unite again against Germany. You will have the Second World War, which you will lose the same as the First,' Hitler replied: 'I will order everyone to be shot who gives rearmament away.' The speaker tried again to object, but Hitler bawled: 'Shot, shot...'<sup>77</sup>

After Hitler's seizure of power, when Germany openly refused to fulfil any obligations whatsoever under the Treaty of Versailles, including reparations, American capital continued to play a major role in her economy. The Nazis annulled Germany's obligations; this, however, in no way damaged the position of the American monopolies, i.e. those which had helped them to come to power having suppressed the popular masses.

The behaviour of those U.S. circles which defined the U.S. policy toward Germany cannot be termed other than criminal. American monopoly capital rode roughshod over all the promises previously given to oppose German imperialism's ambitious, predatory plans, and itself began to put arms into its hands even after Hitler's advent to power. It was not by chance that the Fifth Congress of the Communist International, held in 1924, qualified fascism as a classic form of counter-revolution in the period of the capitalist system's disintegration and proletarian revolution, and as 'the fighting instrument of the big bourgeoisie against the proletariat'.<sup>78</sup>

In the summer of 1935 the Seventh Congress of the Communist International came out categorically against underestimating the fascist danger either in individual countries or in the world as a whole. The Congress expressed great concern that fascism had been converted into an international menace, and that it was the most dangerous, most brutal enemy that the international labour and democratic movement had ever had to contend with. In Georgi Dimitrov's report on the fascist offensive and the tasks of the Communist International in the fight for unity of the working class against fascism, and in the Congress resolutions, the socio-political roots of fascism and its class function were described with the utmost clarity. These documents revealed the complete bankruptcy of Social-Democratic leaders' claims that fascism

was a regime of the rebelling lower middle classes standing above the proletariat and the capitalist class.

No [Dimitrov said], fascism is not super-class government, nor government of the petty bourgeoisie or the lumpenproletariat over finance capital. Fascism is the power of finance capital itself. It is the organization of terrorist vengeance against the working class and the revolutionary section of the peasantry and intelligentsia. In foreign policy, fascism is jingoism in its crudest form, fomenting bestial hatred of other nations.<sup>79</sup>

A host of facts incontrovertibly prove that, in spite of the obviousness of the threat to all mankind that fascism brought with it, active involvement of American monopoly capital in the development of heavy industry and the war industry in Germany continued after 1933 as well. In that period American banking and industrial corporations continued to make loans and open credits for German concerns, though in more covert forms than previously.

On the eve of World War II American investments in Germany came to billions. In 1938 alone, according to the figures of the U.S. Department of Commerce, American long-term investments in the German economy constituted \$697 million, including \$353 million in portfolio investments.<sup>80</sup> Long-term investments, of course, formed only a part of the export of American capital. In the period up to 1934-2 U.S. short-term investments in Germany constituted almost half of the total investment. The figure for long-term investments quoted needs to be supplemented by roughly the same amount of short-term ones. In that case U.S. investments in Germany were at least one billion dollars in 1938. That, too, was the estimate of the special Kilgore Committee of the U.S. Senate. In fact they were even greater, because the official U.S. statistics understated the volume of American investments abroad.

The direct collaboration of American and German monopolies was also being continually broadened. No small part of the weapons and munitions produced in Germany to supply Hitler's army was made in American factories located there. Neither the broad indignation of the public throughout the world with the rampage of fascist terror in Germany, nor the aggressive aspirations of Hitler who, as researchers have admitted, 'never made any secret of his foreign policy aims', and not even the measures called 'economic guerrilla warfare' adopted in accordance with Schacht's *Grossraumwirtschaft* (large-scale economy) policy when Germany had not renewed its 1925 trade agreement with the USA (which expired in 1935) could prevent this process.<sup>81</sup> The USA, moreover, secured itself a share in industrial enterprises in Germany. American monopolies became the owners of the automobile firm Opel, the electrical and radio firms Lorenz A.G. and Mix & Genest A.G., the Hugo Stinnes coal concern, the Deutsche-Amerikanische Petroleum A.G., the chemical firm of I.G. Farbenindustrie, the Steel Trust, and other industrial giants.

<sup>77</sup> See Walter Goerlitz. *Der Deutsche Generalstab. Geschichte und Gestalt (1657-1945)* (Verlag der Frankfurter Hefte, Frankfurt on the Main, 1950), p 383.

<sup>78</sup> Resolution of the Fifth World Congress of the Communist International on Fascism. *International Press Correspondence*, 1924, 4, 88: 1024.

<sup>79</sup> Georgi Dimitroff. *The United Front. The Struggle Against Fascism and War* (Lawrence & Wishart, London, 1938), p 11.

<sup>80</sup> See Cleona Lewis. *The United States and Foreign Investment Problems* (The Brookings Institution, Washington, D.C., 1948), p 322.

<sup>81</sup> See Hans W. Gatzke. *Germany and the United States. A 'Special Relationship'* (Harvard University Press, Cambridge, Mass., 1980), p 114.



Production of weapons for the German fascist army went ahead at full speed in dozens of firms and enterprises that were American property or under U.S. control because of the predominant influence of American capital in them. New plants were also built fully controlled by American capital. In 1922-6 dozens of American enterprises, firms, and subsidiaries, directly occupied in producing armaments and output for military purposes, were already operating in Germany. There were around 60 branch factories of American concerns there<sup>82</sup>; some of the American monopolies alone owned enough share capital to control 278 German joint-stock companies. Here are a few examples.

The former German arms firm German Arms Co., with a capital of 30 million marks, passed under American control under the name Berlin Karlsruher Industry Co. Ford built his own works in the Mecklenburg-Schwerin area. One of the biggest American tyre companies, B.F. Goodrich Rubber, owned a works in Germany employing 12,000 workers. American Radiator, a big company producing radiators, had three factories in Germany. The International Agricultural Corporation owned 50 per cent of Solstadt, a German firm producing chemicals which had mines and a big chemical works. Standard Oil of New Jersey, one of the biggest American oil companies, the engineering firm Chicago Pneumatic Tool, and many other corporations like the Radio Corporation of America, Otis Elevator Co., Turner Tanning Machinery Co., had affiliates in Germany. These American plants, like the many set up by other American monopolies in Germany, were a gift to Hitler, who employed them fully to unleash aggressive war against the Soviet Union and other peaceful countries.

After 1933 dozens of American plants in Germany took a direct part in carrying out war orders. Opel (belonging to General Motors, controlled by the Morgan group), and Ford A.G. (a subsidiary of the Ford Motor Co. (Detroit) were the biggest producers of tanks in Hitler Germany. The profits made by General Motors from the expansion of production in Opel's factories were reinvested in the German economy. Half of the production of motor vehicles also fell to the share of General Motors (through Opel). The Morgan group supplied at least two-fifths of the means of communication for the German army (through Mix & Genest, Lorenz A.G., etc.) and a considerable part of the war planes (through Focke-Wulf). Standard Oil supplied the German army with fuel, etc., directly and through its subsidiaries.

In 1938 International Telephone and Telegraph (ITT) bought 28 per cent of the capital of the Focke-Wulf aircraft firm, through its subsidiary in Germany.<sup>83</sup> Focke-Wulf bombers bombed transports carrying weapons, food, and medical supplies to the Soviet Union, which was fighting the fascist hordes. The Soviet Union and the USA were Allies in the war against fascism; yet at the same time part of

<sup>82</sup> See J. Tanenbaum, *American Investments and Business Interests in Germany* (Joint Boycott Council, New York, 1940), p 7. Cited from G. A. Deborin *et al.* (Eds.), *Op. cit.*, p 183.

<sup>83</sup> R. J. Barnet, R. E. Müller, *Global Reach. The Power of the Multinational Corporations* (Simon & Schuster, New York, 1974), p 60.

American business was fighting on the enemy's side, helping fascist Germany to annihilate the Allies, to destroy the property of the Allied powers, and to stave off the day of the overthrow of fascism, instead of bringing it nearer.

The banking house of Morgan maintained links through ITT. Soon after the fascist upheaval in Germany, it is worth noting, the chairman of the board of ITT was received by Hitler himself. As a result of the talk, the Nazis' agent Gerhard A. Westrick was put at the head of all the three of ITT's German firms; he appointed SS leaders and other prominent Hitlerites to top management posts in them and their enterprises.<sup>84</sup> The following words of Senator Kilgore, who was chairman of the special Senate committee, uttered in 1943, can illustrate this example:

American money went abroad in huge quantities to build plants which are now the bane of our existence and a thorn in the side of our war effort.<sup>85</sup>

It is a known fact that Hjalmar Schacht laughed in his cell during the Nuremberg Trial, when he heard that German industrialists would be accused of arming the Third Reich. He told a U.S. officer:

If you want to indict the industrialists who helped Germany with its rearmament, you must also indict your own... The Opel Works, which belong to General Motors, really produced for nothing other than the war.<sup>86</sup>

The collaboration of American and German monopolies was thus broadened with Hitler's coming to power. The co-operation of the biggest monopoly associations was particularly close. That concerned Standard Oil of New Jersey, in particular, Du Pont de Nemours and the American Aluminum Co. (which were closely linked with the German chemical trust I.G. Farbenindustrie), General Electric (which collaborated with the German trust of Krupp's), General Motors, and a whole number of others.

Hjalmar Schacht played a criminal role in strengthening the ties of fascist business with U.S. firms; in February 1933 he had already convinced the U.S. Chargé d'affaires in Berlin that the fascist regime did not present any danger for American business in Germany. Soon after his appointment as President of the Reichsbank he visited the USA, where he sought new American loans for Germany. As a member of the German delegation to the international economic conference in London (June 1933) he took part in drafting the so-called Hugenberg Memorandum, by which the Hitlerites browbeat the Western powers with the 'danger of Bolshevism' so as to get a good bargain for themselves on credits.

The Cologne banker, Baron Schroeder, who had branches of his banking house in the USA and Britain, played a similar role in drawing in resources to finance the fascist movement in Germany. Schroeder's

<sup>84</sup> See J. S. Martin, *All Honorable Men* (Little, Brown & Co., Boston, 1950), p 209.

<sup>85</sup> *Congressional Record*. Proceedings and Debates of the 78th Congress, First Session, Vol. 89, Part 7 (U.S. Govt. Printing Office, Washington, D.C., 1943), p 9015.

<sup>86</sup> Albert Norden, *Lehren deutscher Geschichte. Zur politischen Rolle des Finanzkapitals und der Junker* (Dietz Verlag, Berlin, 1947), p 169.



bank in the United States collaborated with the law firm of Sullivan and Cromwell, which was headed by the Dulles brothers, John Foster and Allen.

Emissaries of the U.S. banking associations, Winthrop Aldrich and Henry Mann, in turn visited Germany to discuss questions connected with financing her arming. Their conclusion was formulated in a talk with the U.S. Ambassador in Berlin as follows: 'Despite Hitler's attitude these bankers feel they can work with him.'<sup>87</sup> As a result of the negotiations the American banks postponed receipt of payments from Germany due on previously granted credits, and also gave an undertaking that all revenue from American capital and property in Germany would be spent exclusively within that country in the future. An understanding was reached that U.S. capital would take an active part in the arming of Germany either through the building of new war plants or through the modernisation of already existing ones. That concerned the Ford motor works in Cologne and the Opel works in Rüsselsheim, and the works of General Electric and ITT; Standard Oil built a petroleum distillation works in Hamburg that was the biggest in the world at the time.<sup>88</sup>

Many of the American banks and firms that actively contributed to the Hitlerites' seizure of power in Germany, and later to their war preparations, belonged to Zionist capital. The bankers Lazard and Lehman, linked with German firms by business and family connections, were particularly active. When certain Jewish organisations in the USA tried to organise an international economic boycott of Germany, Zionist firms that were agents of German companies frustrated it.

Many leading British and French monopoly associations also co-operated broadly in the war economy with German companies. Though it seems a paradox, the fact is that Zionist leaders of other countries also helped the Hitlerites. In 1929, for example, the Amsterdam banking house Mendelson & Co. put \$10 million at Hitler's disposal, and in 1931 handed Hitler \$15 million jointly with the Rotterdam banking consortium and through the mediation of the Banca Commerciale in Rome. A further \$126 million was lent through Warburg's after Hitler's coming to power.<sup>89</sup>

Co-operation with American monopolies that lent them money and made direct investments largely helped the German monopolies (the main recipients of these billions) not only to restore their economic and political position in a short period, but also to increase their economic power and international connections to a significant extent. By 1933 German industry already transcended Kaiser Germany in many respects both quantitatively and qualitatively. It had been largely renewed, which was of immense military and economic significance. Germany restored the industry of the Ruhr, with its Krupp's arms factories, by

<sup>87</sup> See W. E. Dodd, Jr. and Martha Dodd (Eds.). *Ambassador Dodd's Diary, 1933-1938* (Harcourt, Bruce & Co., New York, 1941), p. 31.

<sup>88</sup> For further details see G.A. Deborin et al. (Eds.). *Op. cit.*, p. 185; W. E. Dodd, Jr. and Martha Dodd (Eds.). *Op. cit.*, p. 292.

<sup>89</sup> *Einheit* (Berlin), 1949, 4, 1:74.

means of American loans. As a result, the Ruhr had already been converted into a powerful war industry base when Hitler came to power.

Receipts of capital from abroad promoted a further concentration of production and consolidation of the system of state monopoly capitalism in Germany. The biggest German concerns (Krupp, Siemens, etc.) restored and consolidated their position after World War I with the help of American investments, and new international trusts arose: Interessen-Gemeinschaft Farbenindustrie (1925) and Vereinigte Stahlwerke (1926).

The American journalist James S. Allen cited facts in his book *World Monopoly and Peace* indicating that I.G. Farbenindustrie 'represented an amalgamation of 177 German corporations' at the outbreak of World War II, and 'by the end of the war, according to the United States War and Treasury Departments ... controlled 380 German firms'.<sup>90</sup> He also cited facts about its broad links with U.S. monopolies; it had, in fact, become an international cartel controlling more than 500 companies in many countries jointly with Du Pont de Nemours and other major American corporations like Standard Oil and Ford.

The facts cited indicate what a truly sinister role direct and broad financial support of Germany by U.S. ruling circles and monopoly capital played in the post-Versailles period. The German monopolies' power was restored and consolidated by billions of dollars of American loans and credits; heavy industry, especially German war industry, was revived and renewed as a military-economic base. It is quite clear that Germany could not have coped with that task in such a short period by her own forces, without the powerful support of the USA, Great Britain, and several other major capitalist countries. As the historical survey *Falsifiers of History* said:

It was this golden rain of American dollars that fertilized the heavy industry, and in particular the war industry, of Hitler Germany. It was the billions of American dollars invested by overseas monopolies in the war economy of Hitler Germany that rebuilt Germany's war potential and placed in the hands of the Hitler regime the weapons it needed for its aggression.<sup>91</sup>

In the light of these incontrovertible facts the utter flimsiness of the false versions still current today in American historical and economic literature is clear. We have already remarked above on the absurdity of the thesis that U.S. policy in relation to Germany pursued the disinterested aim of ensuring normal development of the German economy and so improving the people's position. American bankers and industrialists made huge profits from loans and credits to Germany, and charging high rates of interest on them, not counting the big gains made from stock exchange speculation on German bonds.

It is quite understandable, therefore, why, as Germany's finances were put straight and her economy partially stabilised after 1924, major American banking and industrial corporations began to look more and more to her as a profitable undertaking promising them high

<sup>90</sup> James S. Allen. *World Monopoly and Peace* (International Publishers, New York, 1946), p. 23.

<sup>91</sup> *Falsifiers of History*, p. 10.



profits. The American economist Harold Moulton described the predominant mood in the U.S. 'business world' in relation to introduction of the Dawes Plan as follows, in his book *The Reparation Plan*:

Still, there are bankers and business men and economists almost without number who have the notion that Germany, with her 63 millions of population on an intensively developed area two-thirds the size of the state of Texas, offers a fruitful field for the investment of foreign capital.<sup>92</sup>

Another, just as false version must also be mentioned, the gist of which is that the many American credits advanced to Germany were made to ensure payment of European countries' war debts to the United States. Its authors argued roughly as follows: in order to ensure payment of the war debts to the United States, her debtors had to receive reparations from Germany. In spite of the fact that the USA avoided linking the two questions in every way in official documents, she had in the end to agree that the Allies' solvency depended on their receiving reparations from Germany, while the payment of reparations in turn depended on the solvency of Germany. Consequently, the advocates of this version claim, Germany had to be helped with loans, otherwise the United States would be forced to say goodbye to the millions of her credits, and the corresponding revenue from the interest on them.

The flimsiness of all these arguments, however, becomes obvious when the sums paid by Germany to the Allies as reparations are compared with what the USA received in settlement of the war debts. In the period 1924-31 she received a sum on the Allies' indebtedness roughly equal to eight billion marks. Germany's reparations payments in the same period were 11.28 billion marks. At the same time Germany received loans of at least 18 to 21 billion marks, in one form or another, more than half of which came from the USA. That means that the total of the American loans to Germany alone, without those received from other countries in the course of realising the Dawes and Young plans, considerably exceeded the eight billion marks received by the United States in settlement of the Allied countries' indebtedness. When account is taken, as well, of the fact that the USA advanced loans in the same period to other European countries, it becomes clear that their indebtedness to the USA was not reduced, but, on the contrary, greatly increased.

The facts are evidence of the utter groundlessness of attempts to picture matters as if the financing of German war industry cartels was due to the need to ensure payment of the war debts to the United States. In fact, it was done precisely in order to restore Germany's war industry potential so as to arm her for aggression against the Soviet Union. American monopolies were also more interested, for purely commercial considerations, in investing their capital in the German economy than in settling the indebtedness of the USA's debtors, which is understandable since loans to Germany, as we showed above, directly yielded them huge profits. The Allies' indebtedness to the United States was the consequence of the government credits she opened for

<sup>92</sup> H. G. Moulton, *The Reparation Plan* (McGraw-Hill, New York, 1924), pp 113-114.

them, the source of which was internal loans and taxes. The funds for the credits were obtained by selling bonds to millions of subscribers—workers, farmers, employees—and, consequently, by the imposition of taxes on the working population. That meant that the financial consequences of non-payment of the war debts were small change for the American monopolists. They hit only the broad strata of the working people of the USA.

### 3.3. The role of cartel relations in the revival of German militarism

Apart from the broad financial support that the United States gave Germany, the close co-operation of American monopolies and German concerns (both bilateral and through international cartels) played a significant role in the restoration and development of the German military and economic potential and preparation of the German economy for war. These links had existed even before World War I, were not broken off during that war, and had already been completely restored again in the early years after its end. The interlocking of American and German capital had become much closer by the end of the 20s as a result of the surge of American capital into Germany.

An important element in that process was the creation of a ramified system of cartel agreements through which American monopolies maintained close relations with war industry concerns and banks in Germany. According to the official data, cartels sprang up at an unprecedented rate in postwar Germany. In 1925 they numbered about 3 thousand, including around 2.5 thousand in industry.<sup>93</sup> Among them, it goes without saying, were cartels with American participation.

In September 1936, at the Nuremberg Congress of the Nazi Party, Hitler set the target of an all-round mobilisation of German resources over four years, in preparation for war with the Soviet Union, and demanded, moreover, that all other interests be subordinated to achieving self-sufficiency in all fields so as to make Germany 'economically independent' of foreigners and capable of withstanding any blockade during a war. In speaking of 'independence', of course, Hitler clearly did not have cartel connections in mind, since it was only by means of them that German industry was coping with the tasks set by the fascists.

The agreements concluded between leading American monopolies and the biggest German concerns covered many of the most important industries, including steel and chemicals, the production of machine tools, electrical equipment, aircraft engines and petrol, the optical industry, and the production of many other materials of exceptional significance for war industry.

As an example we would recall Lenin's study of the facts about the sharing of the market by the American General Electric Co. and the

<sup>93</sup> See L. Aufenburger, P. Pflimlin. *La nouvelle structure économique du Reich* (Paul Hartmann, Paris, 1938), p 34.



German AEG, mentioned in Chapter 2. The agreement on dividing the world that they concluded in 1907 was renewed in 1922. General Electric acquired 30 per cent of the shares of AEG, and became its largest shareholder. When promoting the rearmament of German imperialism, American capital broadly financed AEG.

The scale of the cartel co-operation is shown by the fact that scores of big American and German companies had joined international cartels by the beginning of World War II. The German cartels set on their feet by American capital gave fascism financial aid, ensured its coming to power, consolidated it, and put at its disposal the weapons with which World War II was unleashed. The international cartel agreements concluded with the active involvement of American and German monopoly associations played an important role in the equipping of Hitler's army and preparation of World War II. Many of them continued to operate during the war.<sup>94</sup>

A monopoly agreement on the manufacture and marketing of optical instruments (including military ones—gun sights, periscopes for submarines, rangefinders), for example, had already been concluded in 1921, soon after the end of World War I, between the American Bausch & Lomb Co. and the very big German firm of Carl Zeiss. Since, by the terms of the cartel agreements, the American firms were to inform their German partners about all technical innovations of interest to them, Bausch & Lomb willingly passed on U.S. military secrets to Carl Zeiss and only requested that the latter keep all the information secret.<sup>95</sup> Zeiss, having obtained the whole market for its output, except the American, under this agreement, was able to develop its production, especially war production, on the broadest scale. It not only restored its prewar level of production in Germany, but also set up branch factories in other countries.

Several monopoly agreements operated in the chemical industry, in which the Du Pont and I.G. Farbenindustrie trusts were actively involved. The latter had developed its production within a few years, with broad financial support from U.S. banking and industrial circles, and was exporting explosives in 1925. In February 1933 Du Pont concluded an agreement with I.G. Farben on the sale of explosives and ammunition, which were sent to Germany via Holland.

The big U.S. industrial monopolies, primarily Du Pont, shared markets with German concerns through a system of corresponding agreements, taking part with them in the so-called International Dynamite Trust. According to figures published in the USA, I.G. Farben controlled up to 40 per cent of the U.S. production of chemicals as well as the chemical industry of Germany.

In view of the great importance of the steel industry, an international Steel Cartel was formed in 1926, which was joined by the steel mag-

nates of Germany, France, Belgium, Luxemburg, and the Saar. Ernst Poensgen, the head of the Steel Trust concern, was its organiser. Later it was joined by the main steel producers of Austria, Poland, Czechoslovakia, Great Britain, and the USA (the biggest American steel companies, to wit, United States Steel, Bethlehem Steel, and Republic Steel). The cartel produced about 90 per cent of the pig iron and steel being put on the world market. The German monopolies, in particular the Steel Trust, had a leading role in the cartel.

Around 40 per cent of the pig iron, and 30 per cent of the steel produced in Germany, and roughly 15 per cent of the coal mined there fell to the share of the Steel Trust in 1938. Efforts were being made to reduce Germany's dependence on imports of iron ore. There were a number of ore fields with an iron content of 20 to 25 per cent that it had been considered unprofitable to mine. Nevertheless, three steel works with an annual capacity of six million tonnes (a third of Germany's total output of steel) began to be built on them. Officially the work was carried out by the Hermann Goering Works, but in fact it was done by a specially founded American firm H. A. Brassert, a subsidiary of the big Chicago firm of H. A. Brassert & Co., which co-operated with the Morgan Trust.<sup>96</sup>

Through its daughter company Carbolo, General Electric concluded a monopoly agreement with Krupp on the production and marketing of tungsten carbide.

I.G. Farben alone had cartel agreements with two thousand foreign companies and firms, including such major American companies as Standard Oil of New Jersey, Du Pont, Alcoa, and Dow Chemical. The following facts convincingly show the key role that I.G. Farben, which received major financial and technical aid from its American partners throughout the 20s and 30s, played in Germany's war economy. In 1943 its share of German production was: synthetic rubber, methanol, and lubricating oils 100 per cent; dyestuffs 98 per cent; nickel 95 per cent; plastics 90 per cent; magnesium 88 per cent; explosives 84 per cent; gun powder 70 per cent; high octane (aviation) petrol 46 per cent; synthetic petrol 33 per cent.<sup>97</sup>

Thanks to collaboration with American monopolies via international cartel agreements, German concerns got access to scientific and technical information and U.S. technological secrets of defence significance, by which the war industry was modernised and the basis laid for production in Germany of the latest armaments and many important strategic materials. The Aircraft Corporation of America maintained active links with German firms; the United Aircraft & Transport Corporation exported parts for the construction of aircraft, and the Sperry Gyroscope Co. aircraft radio apparatus. The Curtiss Wright Corp., the Aircraft Corporation of America, etc., sent their products—mainly engines and aircraft—to Germany.

<sup>94</sup> The texts of many international cartel agreements contained a proviso that they would not cease to operate in the event of war.

<sup>95</sup> See *Economic and Political Aspects of International Cartels*. A Study Made for the Subcommittee on War Mobilization of the Committee on Military Affairs, U.S. Senate (U.S. Govt. Printing Office, Washington, D.C., 1944), p. 57.

<sup>96</sup> Cited from G. A. Deborin *et al.* (Eds.). *Op. cit.*, p. 186; see also N. Mühlen. *Hitler's Magician: Schacht* (George Routledge & Sons, London, 1939), p. 191.

<sup>97</sup> See A. C. Sutton. *Op. cit.*, p. 36.



American firms' making of patent rights on the latest inventions in the field of aviation available to Germany was particularly important for her. Pratt & Whitney had an agreement with the Bavarian Motor Works on the latter's production under licence of air-cooled aviation motors. United Aircraft Exports made patent rights on military aircraft available to a German firm. Douglas, the biggest American aircraft company, sold the patent rights for a new aircraft to Germany. Bendix Aviation, in which General Motors (in turn controlled by the Morgan group) owned a controlling interest, gave Siemens & Halske A.G. the documentation on the design of an automatic pilot and other aviation instruments. In 1940 Bendix Aviation transmitted the complete technical documentation for the production of aircraft and of starters for diesel engines to the firm of Robert Bausch. On the admission of Col. Frank Knox, then U.S. Secretary of the Navy, 'in 1934 and 1935 Hitler was supplied with hundreds of the finest airplane engines manufactured in this country', while a Senate Committee came to the conclusion in 1940 that

patent rights, building rights for the engines, were sold freely by the American manufacturers to the German government with the consent of this Government [i.e. of the USA—A.A.G.].<sup>98</sup>

How essential American monopolies' financial, scientific, and technical aid was in strengthening fascist Germany's war capability is clear from the story of the organisation of production of synthetic fuel in Germany. Standard Oil took the financing of new synthetic fuel plants in Germany.<sup>99</sup> The scale of the operation can be judged from a statement of the American Commercial Attaché in Berlin, who said in an official talk in December 1935:

In two years Germany will be manufacturing oil and gas enough out of soft coal for a long war, the Standard Oil Company of New York furnishing millions of dollars to help.<sup>100</sup>

In 1934 Germany produced 300 thousand tonnes of oil products and around 300 thousand tonnes of synthetic petrol. Ten years later, during the war, after transfer of patent information and technology on the Standard Oil of New York's production of synthetic petrol from coal to I.G. Farben, Germany was making nearly 6.5 million tonnes of oil products, of which 85 per cent (5.5 million tonnes) consisted of synthetic ones. Standard Oil not only helped organise the production of synthetic petrol, but also spent large sums on exploring for oil in Germany and organising its extraction.<sup>101</sup> Furthermore, the whole production of synthetic oil in Germany was put under the control of the Braunkohle-Benzin A.G. trust (a subsidiary of I.G. Farben), which in turn had been founded with the financial help of Wall Street. More than half of the capital of the oil company, which owned more than a third of all the German petrol stations, belonged to the trust. The German-American oil company owned oil refineries and lubricating oil works.

Typically, there were works for the hydrogenisation of coal in Germany and Japan at the outbreak of World War II, but none in the USA. The United States sometimes went so far as to yield first place in certain fields of production to Germany and Japan for the sake of profits and out of political solidarity with forces hostile to the Soviet Union that did not hide their aggressive plans in relation to the USSR. I.G. Farben obtained information from the Ethyl Gasoline Corporation, through a cartel agreement, on the technology for making lead tetraethyl (the anti-knock additive to petrol). Most of it was produced by works of I.G. Farben subsidiaries, and half directly in its own plants. I.G. Farben's experts admitted that, without lead tetraethyl, no modern war was conceivable. From the very beginning of the war the Germans were in a position to manufacture lead tetraethyl exclusively because not so long before the Americans had built a factory for them, prepared it for operation and gave them the requisite know-how.<sup>102</sup>

Without American aid Germany could not have organised the production of synthetic rubber, whose strategic importance is well known. The technology for mass production of buna-rubber was developed in the USA—ownership of the patent rights was passed to the German trust. Then Standard Oil developed a means of obtaining butyl rubber, of higher quality. German firms also collared it.

It has also been established that Standard Oil gave the German chemical trust information in 1938 on the production of synthetic rubber, and at the same time, by virtue of the cartel agreement concluded with I.G. Farben in 1929, prevented use of the patent in the USA itself for a long time. Many more facts of the kind could be cited.<sup>103</sup>

U.S. monopolies helped fascist Germany with the production of aluminium, magnesium, nickel, tungsten carbide, beryllium, and other strategic materials. In 1935 German production of light and non-ferrous metals was already four times as great as French and Canadian, six times as great as British and Norwegian, and 16 thousand tonnes greater than American production.<sup>104</sup>

The German cartels, by utilising the system of cartel agreements, organised broad production of explosives with the help of American loans and the latest technology. In 1937-8, on the eve of the war, 95 per cent of Germany's dynamite and other explosives was being produced by I.G. Farben and the Vereinigte Stahlwerke, closely linked with American monopolies. Alcoa and Dow Chemical maintained close ties with German industrialists, transferring up-to-date technological information to them.

At the same time German industrial companies were widely using cartel agreements so as to block or limit production of certain very important types of output in several European countries, and so weaken

<sup>98</sup> Cited from Hershel D. Meyer. *Must We Perish? The Logic of 20th Century Barbarism* (New Century Publishers, New York, 1940), p. 20.

<sup>99</sup> See Albert Norden. *Op. cit.*, p. 171.

<sup>100</sup> Cited in W. E. Dodd, Jr. and Martha Dodd (Eds.). *Ambassador Dodd's Diary. 1933-1938*, p. 292; according to other sources, over \$60 million.

<sup>101</sup> See W. E. Dodd, Jr. and Martha Dodd (Eds.). *Op. cit.*, p. 303.

<sup>102</sup> *The New York Times*, 9 October 1945.

<sup>103</sup> On the position of German concerns in Europe and overseas see Dorothy Woodman (Ed.). *Hitler Rearms. An Exposure of Germany's War Plans* (The Bodley Head, London, 1934), pp. 196-197, 227-228.

<sup>104</sup> See G. Reimann. *Patents for Hitler* (New York, 1949), p. 203.



their military-economic capability and thus ensure the supply of their own war industry with strategic materials and primary goods and build up their reserves.

The policy pursued by the steel cartel of limiting production of steel in certain European countries led to a serious lag of heavy industry in France and Belgium at the outbreak of World War II, compared with this industry's rapid growth in Germany.

The real role of the leading American monopolies in reviving German militarism and preparing Hitler's aggression came out even more fully in documents made public after the war. At the end of World War II, when certain facts came out about the links between American and German monopolies in preparation of the German economy for war, and when it was already difficult to hide American capital's close collaboration with German concerns from the public, a special Senate subcommittee on war mobilisation (the Kilgore Committee) was set up in the U.S. Congress, which heard evidence on the activities of German monopolies and published corresponding records.

These records contained clear evidence of the important role that the USA played in the technical rearming of Germany. A whole number of facts were cited in confirmation of that. It was said, for example, that the building of motor works in Germany by the two leading American automobile companies, and the training of German specialists in Detroit in the latest American technology subsequently helped reorganise and re-equip other leading German war factories and design the Stukas device for dive-bombing. In the following period, the records said, the representatives of I.G. Farben in the USA organised training courses for German engineers, who visited aircraft and other highly important factories where they were taught much of what was in the end used against the United States. The curtain was only partially lifted, however, so as to give the public some satisfaction, to let off steam.

The many volumes of the relevant committees' reports still lie undisturbed in the Capitol building in Washington. Not a single representative of the American monopolies was prosecuted. The whole thing was reduced to endless sittings of committees and subcommittees, at which crafty heads of the boards of many big corporations and firms, and their no less adroit and wily defenders in Congress, talked calmly about their affairs. These people were confident about their capital and their future, even when the committees were forced, by the pressure of incontrovertible facts, to recognise that certain American monopolies had given direct support to German cartels that systematically financed Hitler and brought him to power.

This finale of all these investigations was not fortuitous. American monopolies, both before Hitler's coming to power and after, did in Germany what corresponded to the foreign policy and strategic plans of American imperialism, which was banking on revival of German militarism and straining to push German aggression eastward. The report on cartels and national security of the Kilgore Committee said:

The role which the cartels played in abetting Hitler's seizure of power has been recounted at length both in the testimony before the committee and else-

where. Krupp, Thyssen, and other powerful figures on the German industrial scene provided both financial support and political influence for Hitler.<sup>105</sup>

The many documents and reports of the Kilgore Committee tell of the German cartels' aggressive plans against the Soviet Union and a number of other European countries. Among them is the following text of a statement by Carl Duisberg, the former chairman of I.G. Farben, made in 1931, i.e. when German war industry was already working for war to a considerable extent:

The narrowness of the national economic territory must be overcome by transnational economic territories... For a final settlement of the problem of Europe ... a close economic combine must be formed from Bordeaux to Odessa as the backbone of Europe.<sup>106</sup>

The German cartels' plans were well known to the U.S. monopolies. Their financial and industrial magnates, moreover, were directly involved in the preparation of these plans. Their collaboration with German war industry concerns was on such a scale that almost all the major American banks and industrial corporations had a connection of some sort with the restoration of Germany's war industry capability and the arming of Hitler's army.

In more recent years documents were published in the USA and certain other Western countries that shed additional light on the danger to peace of the American monopolies' criminal alliance with German cartels in the revival of German militarism and unleashing of world war. The frank admissions contained in a letter of William E. Dodd, the former U.S. Ambassador in Germany, to President Roosevelt, can only be taken as self-exposure, and are evidence of how closely the interests of American Big Business were interwoven with German concerns and of its help to the fascist regime in the first years after Hitler's seizure of power.

In a letter of 19 October 1936, i.e. three years after Hitler's coming to power, Ambassador Dodd wrote:

Much as I believe in peace as our best policy, I cannot avoid the fears which Wilson emphasized more than once in conversations with me, August 15, 1915 and later: the breakdown of democracy in all Europe will be a disaster to the people. But what can you do? At the present moment more than a hundred American corporations have subsidiaries here or cooperative understandings. The Du Ponts have three allies in Germany that are aiding in the armament business. Their chief ally is the I.G. Farben Company, a part of the Government which gives 200,000 marks a year to one propaganda organization operating on American opinion. Standard Oil Company (New York sub-company) sent \$2,000,000 here in December 1933 and has made \$500,000 a year helping Germans make Ersatz gas for war purposes; but Standard Oil cannot take any of its earnings out of the country except in goods... The International Harvester Company president told me their business here rose 33% a year (arms manufacture, I believe), but they could take nothing out. Even our airplanes people have secret arrangements with Krupps. General Motor Company and Ford do enormous businesses here through their subsidiaries and take no profits out. I mention these facts because they complicate things and add to war dangers.<sup>107</sup>

<sup>105</sup> *Cartels and National Security*, Part II, 1944, p. 73. Cited from James S. Allen. *Op. cit.*, p. 19.

<sup>106</sup> *Cartels and National Security*, Part II, p. 74.

<sup>107</sup> Edgar B. Nixon (Ed.). *Franklin D. Roosevelt and Foreign Affairs*, Vol. III, September 1935-January 1937 (The Belknap Press of Harvard University Press, Cambridge, Mass., 1969), p. 456.



Let us cite another, no less revealing excerpt from the published diary of this ambassador. The fact that the representative of the Vacuum Oil Co., mentioned below, like the representatives of other American firms that were giving help to fascist Germany, was appointed a member of the Control Commission for the denazification of Germany after the war, is very eloquent.

*January 23...* Our Commercial Attaché brought Dr. Engelbrecht, chairman of the Vacuum Oil Company in Hamburg, to see me. Engelbrecht repeated what he had said a year ago: 'The Standard Oil Company of New York, the parent company of the Vacuum, has spent 10,000,000 marks in Germany trying to find oil resources and building a great refinery near the Hamburg harbor.' Engelbrecht is still boring wells and finding a good deal of crude oil in the Hanover region, but he has no hope of great deposits. He hopes Dr. Schacht will subsidize his company as he does some German companies that have found no crude oil. The Vacuum spends all its earnings here, employs 1,000 men and never sends any of its money home.<sup>108</sup>

And here is one more interesting excerpt from Dodd's Diary of October 20 about his conversation with an American lawyer:

*October 20...* I asked him [the lawyer representing American claimants against Germany], however: Why did the Standard Oil Company of New York send \$1,000,000 over here in December 1933, to aid the Germans in making gasoline from soft coal for war emergencies? Why do the International Harvester people continue to manufacture in Germany when their company gets nothing out of the country and when it has failed to collect its war losses? He saw my point and agreed that it looked foolish and that it only means greater losses if another war breaks loose.<sup>109</sup>

The American writer A. C. Sutton quite justifiably remarked in this connection, in his book *Wall Street and the Rise of Hitler*, reviewing the facts about a number of major American firms' involvement in the preparation of World War II:

The German businessmen could have disclosed a lot of uncomfortable facts. In return for protection, they told very little. It is undoubtedly *not* coincidental that the Hitler industrialists on trial at Nuremberg received less than a slap on the wrist. We raise the question of whether the Nuremberg trials should not have been held in Washington—with a few prominent U.S. businessmen as well as Nazi businessmen in the dock.<sup>110</sup>

One must give Mr. Sutton his due for expressing so clearly the idea that those who worked in the USA in favour of the German aggressor even when Hitler and his camarilla had got hold of the reins of German policy should have been brought to justice.

The facts adduced above reveal the real role of the alliance of American and German monopolies in the arming of Hitler Germany, and the unleashing of world war. Sutton's idea remained, alas, the naive illusions of an idealist. Not only should the captains of U. S. Business have been in the dock in the USA, i.e. those who did not have an aversion to deriving colossal profits from their close ties with German monopolies even when the Hitlerite hordes were picking off their victims one after the other in Europe; those who dictated the general line of U.S. relations with imperialist Germany should also have been on trial.

<sup>108</sup> See W. E. Dodd, Jr. and Martha Dodd (Eds.). *Ambassador Dodd's Diary, 1933-1938*, p. 303.

<sup>109</sup> *Ibid.*, p. 358.

<sup>110</sup> A. C. Sutton. *Op. cit.*, p. 15.

## AMERICAN CAPITAL ABROAD DURING WORLD WAR II

### § 1. U.S. monopolies' economic interest in the war and the strengthening of the state's role in expansion

Imperialism's generation of wars is primarily due, as we know, to deep-seated economic causes, which include the further development of the concentration and centralisation of capital, growth of the economic and political power of monopolies, and their drive for omnipotence not only within their own country, but outside it as well.

The fathers of Marxism-Leninism more than once stressed that monopoly capital by its very nature strives for unlimited preponderance and domination and for international monopoly.

An important goal of monopoly capital, irrespective of its national cloak, was its drive to weaken its main rivals, or in general to knock them, if only for a time, out of competition. But they were guided to an even greater extent by anti-Sovietism, hatred of socialism, and hope of weakening the USSR with the help of fascist hordes.

It is pertinent here to recall that the Soviet Union did everything it could to prevent, or at least to postpone, the bloody battle to which monopolistic reaction and imperialism were pushing nations. Soviet diplomacy, guided by the Communist Party, waged a continual, consistent struggle to prevent the forces of imperialism from plunging humanity into a war whose aims, as Lenin wrote, were: 'repartitioning of the whole world ... to obtain the opportunity and the right to rob, strangle and exploit the whole world.'<sup>1</sup> The Soviet Union did much to expose the real initiators of war preparations in the eyes of nations, and to lay bare the 'mystery' on which it was generated.

Great attention was paid to ensuring a broad international rebuff of aggression in the event of war. Much importance was naturally attached to relations with the United States. In the context of the problems treated in this book and, in particular, concerning the role played by the USA and American monopolies in building up the aggressive German war machine (dealt with above), and in pushing it eastward against the Soviet Union, it will be useful to mention, even if briefly, the counteraction to this trend in U.S. international activity.

The U.S. monopolies' broad economic ties with the fascist regime were known. Some of them had already then received publicity. The influence exerted on the U.S. government by the financial and industrial bigwigs who encouraged the building up of the Hitler Reich's war industry was also known. There was no need to guess about their polit-

<sup>1</sup> V. I. Lenin. The Second Congress of the Communist International. *Collected Works*, Vol. 31 (Progress Publishers, Moscow, 1977), pp. 216-217.



ical and class sympathies. The situation was complicated by the fact that anti-Soviet reaction was employing every pretext to worsen Soviet-American relations. So it was in connection with the Soviet-Finnish conflict, for example, after which a 'moral embargo' was introduced against the Soviet Union, 'which lacked any sense, especially since the signing of peace between the USSR and Finland'.<sup>2</sup>

While Germany was 'beefing up the muscles' of her war machine with the help of American capital and licences, the U.S. government was adopting a whole series of discriminatory measures against the Soviet Union in the economic and political fields. On 2 December 1939, for instance, a ban was introduced in the USA on the export of aviation equipment, aircraft, and spares for them, aluminium and molybdenum to the USSR. The embargo was also extended to the export of equipment, patents and other documentation for the production of high-octane petrol. It was not just that these discriminatory actions undermined Soviet-American trade; they made it difficult to lay the material basis for rebuffing the Hitler aggressors. In that period there were even calls in the USA from the most reactionary circles for the breaking off of U.S. relations with the USSR.

In those extremely complicated conditions, the anti-Soviet trends in the policy of monopoly capital and the U.S. government, and their attempts to damage the interests of the USSR (the lack of perspective of which more and more politicians in the USA itself were being forced to recognise) were opposed by the vigorous activity of Soviet diplomacy.

The questions of normalising Soviet-American commercial and economic relations were systematically and persistently raised by the Soviet side during the negotiations that took place in the second half of 1940 in the State Department with the Under-Secretary of State Sumner Welles. First place among the questions discussed was given to those of lifting the 'moral embargo' and of granting licences for the export of industrial equipment from the USA already ordered by Soviet organisations. During the negotiations the Soviet Union constantly pointed out that these issues and others could only be resolved observing the principles of equality and mutual benefit.<sup>3</sup>

The history of the war and postwar period has constantly confirmed the fact that political forces that do not want to take these fundamental principles into account in relations between sovereign states are regularly to be found in Washington. And yet it would seem that they have plenty of grounds for drawing proper, sober conclusions from the historical facts, especially the experience of those prewar years.

The State Department announced the lifting of the 'moral embargo' on 22 January 1941, but discriminatory measures by the American authorities in relation to the USSR did not cease. Great harm continued

<sup>2</sup> *Shestaya sessiya Verkhovnogo Soveta SSSR. 29 marta—4 aprelya 1940 g.* (The Sixth Session of the Supreme Soviet of the USSR. March 29-April 4, 1940), Gospolitizdat, Moscow, 1940, p. 41.

<sup>3</sup> See *Arkhiv vneshnei politiki SSSR* (Archives of the Foreign Policy of the USSR).

to be done to Soviet-American trade by the 'licensing system' for exports to the USSR introduced in 1940, which applied to most equipment and materials, and even widened the list of licensed goods. That position remained unchanged until June 1941. The following facts show the adverse consequences for Soviet-American trade of these and other discriminatory measures taken by the U.S. government.

From January to May 1941 the American government refused licences or detained cargoes to a total of \$29 million. Of the applications for new orders made by Soviet organisations, totalling \$49.9 million, refusals were received for goods valued at \$38 million. Unacceptable terms were also often imposed on the filing of orders already accepted for the remaining amount.

In 1940 Soviet purchases of many types of equipment and materials, etc., were cancelled, and some considerably reduced. Cracking equipment and several very important types of machine tool, for instance, were struck out of U.S. exports to the USSR, and deliveries of aluminium and molybdenum were completely stopped. Soviet purchases of aviation equipment in the USA were reduced from \$2,904.9 thousand in 1939 to \$270.7 thousand in 1940. And although U.S. exports to the USSR rose in 1940 by \$30 million compared with 1939, their value was considerably reduced, however, because of the absence of deliveries of types of machinery and equipment that were of prime importance to the Soviet side. American imports from the USSR fell by 17 per cent in the same period, while the trade balance in favour of the USA rose to \$66.2 million compared with \$31.6 million in 1939. In 1940 U.S. exports to the USSR were 2.2 per cent of all U.S. exports, while U.S. imports from the USSR did not exceed 0.8 per cent of all the U.S. imports.<sup>4</sup>

These facts to some extent illustrate what a difficult situation built up at times in relations between the USSR and the USA immediately before the Hitlerites' attack on the Soviet Union. They also enable us to some extent to judge the invisible effect of the 'economic factor' about which we spoke in Chapter 4, viz., American investments in Germany's war industry. The importance of neutralising this 'economic factor' politically could not be exaggerated, the more so that recollections of the possibilities of making huge profits from war production were still fresh in big U.S. monopoly capital, now coming frequently from both belligerent sides—the American government and Hitler's Reich.

The U.S. monopolies counted on exploiting World War II to enrich themselves immensely at the expense both of their own country and of her Allies, and did. The scale of their enrichment was incomparably greater than at the beginning of the century. As Alfred Sloan, Jr., one of the top managers running the giant General Motors Co., said, the effect of World War II was unprecedented, for all the relative significance of World War I orders. It was not just a matter of their quantitative scale: General Motors' \$35 million worth of war production in World War I, and its \$12 billion in World War II. The main point was that war production was a 'sideline' in the first case, while it occupied a whole

<sup>4</sup> *Arkhiv vneshnei politiki SSSR.*



production programme in the second; as regards General Motors Sloan said:

Our assignment for that year, stated briefly, was to transform the world's largest automobile company into the world's largest manufacturer of materials for war.<sup>5-6</sup>

Other corporations also underwent this 'transformation' so profitable for the monopolies. Strict control over reserves and the obligations assumed, together with concrete contracts and agreements, enabled the government substantially to influence the production and financial operations of the respective corporations.

U.S. industrial production, taking advantage of the favourable economic situation, advanced considerably during the war years. Its total volume increased by 120 per cent between 1939 and 1944. War production rose particularly rapidly. Industrial capacity increased by at least 40 per cent through the commissioning of new plants and equipment. Productivity rose by more than 30 per cent. All that brought the monopolies enormous profits: net profits for the war years were \$57 billion.

The economic restructuring of the USA brought about by the war led to a rise of government war spending. The proportion of federal expenditure in the gross national product was already 16.3 per cent in 1941, and in the total of war spending, 11 per cent. Another consequence was an increase in the relative weight of public expenditure on industrial building, primarily of war plants. The steep increase in the financing of the building of new factories and plants directly by the government was one of the main differences between the First and the Second World War as regards their effect on the U.S. economy. Total expenditure on building new plants was at least \$25 billion during World War II, two-thirds of it financed by the government, whereas the government financed roughly 10 per cent of the total expenditure on building new plants and extending old ones during World War I. As a result, the specially founded Defense Plant Corporation owned more than 10 per cent of the production capacity of U.S. industry as of 30 June 1945.

Publicly-owned plants were built by funds from the budget, in other words, largely from taxes levied on the public and from war loans. As a result of the steep increase in government expenditure during the war years, the public debt of the USA rose from \$60 billion in 1939 to \$266 billion in 1945, i.e. by a factor of 4.4.<sup>7</sup> In 1940-41 expenditure on building public-owned plants was 32.8 per cent of the U.S. total war spending, in 1941-2 26.6 per cent, and in 1942-3 16.8 per cent. During the war \$17,169 million were spent on building and extending plants in manufacturing industry at public expense, and \$8,623 million from private investments.

The figures show that expenditure on building public-owned plants sometimes exceeded the outlays on building private ones. The ratio of

these two forms of expenditure, of course, varied with the industry and in time. Public expenditure was heaviest during the war and in the years immediately preceding it. As regards industries, public building of plants took place primarily in those linked with the production of arms for the army, navy, and air force.

All this is evidence that the role of state monopoly capital rose steeply in the USA during World War II. The growth of public ownership, of course, not only did not alter the nature of the capitalist economy, but, on the contrary, emphasised the monopoly character of modern capitalism in general, and of American capitalism in particular, even more strongly. The increase in public ownership suited the monopolies, since it provided better opportunities for their enrichment, above all because it eased the conditions for applying measures of direct extra-economic compulsion in relation to the workers, which was often extended to private plants as well.

The transfer of publicly-owned plants to private hands after the war at prices several times lower than their real value also gave the monopolies immense gains.

The dictatorial character of American monopoly capital, and its perennial drive to establish its sole control over the world capitalist market, inspired by an unslakable thirst for higher profits, determined both the policy and strategy of U.S. imperialism during World War II. Its goals consisted in getting maximum benefit for itself, achieving a weakening of the Soviet Union in every possible way, in exhausting its imperialist rivals, Germany and Japan, and in getting rid of them, and at the same time in weakening the position of Great Britain.

The aspirations and schemes of Washington and U.S. imperialism were in flagrant contradiction with the real tasks facing the anti-Hitler coalition in defeating German fascism and Japanese militarism. The policy of capital exports pursued by U.S. monopoly capital and ruling circles during World War II was subordinated to the aims of expansion. The loans and credits granted by the USA from public and private funds then once more served as important levers of U.S. economic expansion in the struggle to extend markets for raw materials and spheres of investment by grabbing the colonial possessions of both her opponents and her Allies.

The World War's breaking of economic ties between capitalist countries and, as an inevitable consequence, the narrowing of the sphere of application of loan capital, caused a slowing of the rates of export of American capital, and changes in its structure and geographical distribution. There were also substantial changes in the import of foreign investments into the USA. These basic trends during World War II can be traced in the official figures published by the U.S. Department of Commerce (see Table 5.4).

The USA, while maintaining its position as a capital-exporting country, remained at the same time a debtor of Western monopolies. In contrast to foreign investments in the USA, which arose mainly through short-term (private and public) investments, the increase in American capital investments abroad, we would note, however, occurred

<sup>5-6</sup> Alfred P. Sloan, Jr. *My Years with General Motors* (Doubleday & Co., New York, 1964), pp 377-378.

<sup>7</sup> See *Economic Report of the President* (February 1975) (U. S. Govt. Printing Office, Washington, D. C., 1975), p 323.



Table 5.1

The Movement of American Investments Abroad and of Foreign Investments into the USA, 1939-1945  
(\$ million)

	1939	1940	1941	1942	1943	1944	1945
Foreign investments of the USA	12,480	12,275	12,990	13,640	14,170	14,810	16,760
Private	12,445	12,195	12,505	12,930	13,340	13,765	14,590
Long-term	11,385	11,310	11,635	12,175	12,575	12,930	13,675
direct	7,280	7,340	7,525	7,740	7,845	7,960	8,120
foreign dollar bonds	1,685	1,445	1,445	1,510	1,560	1,590	1,650
securities payable							
in local currencies	1,240	1,280	1,375	1,565	1,795	2,010	2,425
other	1,180	1,245	1,250	1,360	1,375	1,370	1,480
Short-term	1,060	885	870	755	765	835	915
deposits	405	375	375	370	370	385	395
other	655	510	495	385	395	450	520
U. S. government	35	80	485	710	830	1,045	2,170
Long-term	35	80	475	490	620	770	1,585
Short-term	—	—	10	220	210	275	585
Foreign investments in the United States	12,820	13,535	12,300	12,605	14,145	15,085	17,740
Private obligations	12,495	13,225	11,770	11,645	12,560	13,080	14,207
Long-term	8,695	8,100	7,200	7,275	7,570	7,865	8,502
direct	2,900	2,875	2,700	2,615	2,605	2,630	2,675
other	5,795	5,225	4,500	4,660	4,965	5,305	5,827
Short-term	3,800	5,125	4,570	4,370	4,990	5,215	5,705
deposits	3,225	3,915	3,510	3,665	4,290	4,425	4,855
other	575	1,210	1,060	705	700	790	850
U. S. government obligations	325	310	530	960	1,585	2,005	3,533
Long-term	150	150	150	150	200	425	493
Short-term	175	160	380	810	1,385	1,580	3,040
Net debtor (—) or creditor (+) position of USA	—340	—1,260	+690	+1,035	+25	—275	—980
Net private	—50	—1,030	+735	+1,285	+780	+685	+383
Net government	—290	—230	—45	—250	—755	—960	—1,363
Net long-term (private and U. S. government)	+2,575	+3,140	+4,760	+5,240	+5,425	+5,410	+6,265
Net short-term (private and U. S. government)	—2,915	—4,400	—4,070	—4,205	—5,400	—5,685	—7,245

Source: U. S. Department of Commerce. *International Transactions of the United States during the War, 1940-45*, Economic Series No. 65 (U. S. Govt. Printing Office, Washington, D. C., 1948), p. 110.

mainly through long-term investments. The growth of short-term foreign investments in the USA was a consequence of the adverse balance of payments on current account in the war years; the total of long-term foreign investments in the USA remained in practice at the prewar level.

American foreign investments rose slowly during World War II. Over the years 1940-45 the increment was around \$4.5 billion, the greater part of it occurring in the second half of 1945. The increase in the total came about mainly through long-term investment (by 33.9 per cent, or \$3.87 billion). U.S. government long-term investments rose particularly rapidly (by 88.1 per cent, or \$1.5 billion).

The increase in government long-term investments was due to the marked expansion of the Export-Import Bank's operations. Between August and December 1945 alone, after victory over Japan, the Bank lent France, Belgium, and the Netherlands a grand total of \$898 million. The Anglo-American Financial Agreement signed on 6 December 1945, which provided for granting the United Kingdom a big long-term loan of \$3,750 million, belongs to the same period. As for private long-term investments, their growth in 1940-45 (by 20 per cent, or \$2,365 million) was mainly due to foreign securities (chiefly Canadian), and reinvested profits of U.S.-controlled enterprises abroad (\$900 million). The total of American private short-term investments remained at its former level during the same period.

As already remarked, the role of government exports of capital increased, while the predominant position of private investments was maintained. Whereas almost all the capital exported by the USA in 1939 belonged to private monopolies, at the end of 1945 the proportion of government investments was 13 per cent. This trend is distinctly visible when we compare the growth of long-term (private and public) investments. During the period from 1940 to the end of 1945 public long-term investments in other countries increased by a factor of 19.8, while private long-term investments increased by 20.9 per cent. At the end of the war the role of inter-governmental loans grew, whereas before the war private investments in the bonds of foreign states predominated.

There were also definite shifts in the geographical distribution of American foreign investments. American imperialism, which was striving to make maximum profits and corner new markets, driven by aims of expansion, directed the main flow of government loans and credits, and the private export of capital, to Latin American countries, Canada, and the colonies and semi-colonies of Great Britain, France, and other Western powers. Taking advantage of the weakening of Great Britain and France during the war, the USA grabbed their spheres of influence by means of long-term investments and supply of commodities, and established its influence over the colonies and dependent territories of Germany and Japan.

The changes in the geographical distribution of American foreign investments during the war were also due to the fact that their flow tended, because of military operations, toward areas that were safe for placing capital, and where there were particularly favourable con-



ditions for making profits, primarily in countries remote from the direct theatres of war. The number of daughter firms of the biggest American monopolies during the war rose by more than 200. It is estimated, from the official figures, that more than 70 per cent of all U.S. foreign long-term capital investments at the end of the war were in colonies and other economically underdeveloped countries and territories.

A high level of American investments was thus maintained in Latin America and Canada in 1940-43, compared with 1936; in 1943 they accounted for 64.8 per cent of the total of U.S. foreign investments, and there was a certain decline in the relative weight of investments in Western Europe (see Table 5.2).

Table 5.2

Geographical Distribution of U.S. Direct Investments Abroad, 1936-1943 (\$ million)

Country or region	1936	1940	1943
Total	6,691	7,000	7,862
Latin America	2,847	2,771	2,721
Canada	1,952	2,103	2,378
Western Europe	1,245	1,420	1,785
Other countries	647	706	978

Sources: *Historical Statistics of the United States, Colonial Times to 1970*, Part 2 (U.S. Govt. Printing Office, Washington, D. C., 1975), p. 870; *Survey of Current Business*, 1952, 32, 12: 8.

The U.S. government put constant political pressure on the governments of Latin American countries during the war to ease the conditions for their infiltration by American monopolies. In 1940-44 Nelson Rockefeller, a member of the very big Rockefeller financial group, was the federal co-ordinator for Latin American affairs.

The Meeting of the Ministers of Foreign Affairs of the American Republics held in January 1942 recommended, under U.S. pressure, that steps be taken to encourage foreign capital investment in countries of the Americas, and requested governments to adopt the measures needed to facilitate and protect these investments.<sup>8</sup> In practice it was a matter of encouraging American capital investments in Latin American countries. The situation looked roughly as follows: two householders met; one of them grabbed the other by the throat, saying: 'Either you invite me to your house, or it will be the worse for you.' In such a situation it was not easy to refuse.

As a result of World War II, the American monopolies, having consolidated their position in the countries of the Western hemisphere by

<sup>8</sup> Leland M. Goodrich (Ed.). *Documents on American Foreign Relations*, Vol. IV, July 1941-June 1942 (World Peace Foundation, Boston, Mass., 1942), p. 316.

pressure, had completely ousted their German, Italian, and Japanese rivals, who had penetrated there before the war, and seriously restricted the monopolies of Great Britain and France. And it could not, in fact, have been otherwise. Latin America became heavily dependent economically and politically on American capital.

### 1.1. The Export-Import Bank, an instrument of U.S. monopolies' expansion

The increase in the role of the governmental programmes of U.S. foreign financial operations during World War II and in the postwar period is plainly visible from the operations of the Washington Export-Import Bank. This Bank was assigned a prominent role in effecting international expansion. It was founded in February 1934 as a government institution with an initial capital of \$11 million,<sup>9</sup> whose purpose was to advance bank loans for trade with the Soviet Union.<sup>10</sup> But the ruling circles of the USA did not aspire to develop Soviet-American trade.<sup>11</sup> Using the question of the 'unsettled state' of the USSR's 'debts' as a pretext, they put obstacles of every kind in the way both of commercial credits for the Soviet Union<sup>12</sup> and of the placing of Soviet orders in the USA, and interfered in the signing of commercial deals with American industrialists who had expressed a readiness to strengthen trade relations with the Soviet state.

Later, in March 1934, a Second Export-Import Bank of Washington was founded with a status of 'government agency' similar to that of the first.<sup>13</sup> It was originally intended to finance trade with Cuba, but its operations were later extended to other capitalist countries as well. In June 1936, as a result of the merging of the two banks, the functions of the second were transferred to the original Export-Import Bank, which was given the job of financing trade with all foreign countries. In its first years the Bank's operations were limited to opening 90-day credits to finance the export of agricultural produce, products of heavy industry, and industrial equipment. Its operations were completely subordinated to the foreign policy aims of the USA right from the beginning. Its shares were held by the State Department, the Department of Commerce, and the Reconstruction Finance Corporation. The U.S.

<sup>9</sup> Executive Order 6584, dated 2 February 1934. See *Legislative History of the Export-Import Bank of Washington* (U.S. Congress. Senate. Committee on Banking and Currency, Washington, D. C., September 1935), p. 1.

<sup>10</sup> *Senate Hearings on H.R. 4240 and S. 1175*, 23 January 1935, Book No. 14, pp. 65-71.

<sup>11</sup> Annual Report of the Export-Import Bank of Washington for 1936. See *Legislative History...*, p. 2.

<sup>12</sup> In spite of the proclaimed aim of the founding of the Export-Import Bank, its board of directors adopted a resolution in March 1934 in accordance with which the Bank would not proceed to any operations relating to trade between the USA and the Soviet Union until the Russians produced an acceptable solution of the debts question (H. Arey. *History of the Operations and Policies of the Export-Import Bank of Washington*, Export-Import Bank of Washington (Washington, D.C., 1953), p. 5.

<sup>13</sup> Executive Order 7365, dated 7 May 1936. See *Legislative History...*, p. 4.



government was thus given, in fact, the role of a credit authority, without any camouflage.

The management of the new bank was picked accordingly. Its board consisted of four representatives of the Reconstruction Finance Corporation, two representatives each of the above-named Departments, and one representative each of the Treasury, the Federal Reserve System, and the Bank itself. The official character of this banking institution was further emphasised when, in 1945, the Secretary of State, or a deputy appointed by him, and four directors appointed by the President with the approval of the Senate, were added to its governing body (the Board of Directors).

As was to be expected, the Bank was used exclusively to open credits for foreign governments or their direct agents. Its functions and powers were systematically broadened; while founded to finance American exports, it was gradually given broader functions, especially with Congress' adoption in September 1940 of an amendment to the original statute founding the Bank, in accordance with which its powers were considerably extended. The amendment said that the aim of the founding of the Bank was to open credits for foreign governments or their central banks and agencies in order to provide aid in developing the resources, stabilising the economies and ordering the foreign trade of the countries of the Western hemisphere by supplying them with the requisite financial resources, which at each given moment should not exceed \$500 million.<sup>14</sup> The total capital of the Bank was set at \$700 million.

The reference to 'aid' to other countries was clearly made, it goes without saying, for demagogic purposes. The real sense of the Congress amendment was that the U.S. government was sanctioned by Congress to use credits opened through the Export-Import Bank as a direct means of economic and political influence on other countries. The Bank's credits could already be openly employed to put pressure on a country, all the more so since, under the new procedure for signing the relevant agreements, not only was the U.S. government involved but also that of the country being granted the loans, either directly or through organisations controlled by it. It is not surprising, therefore, that there were already cases in the first years of its operation when it was used for direct action on the economies of certain countries along lines profitable to American monopolies, and in particular to provide the USA with cheap strategic materials.

According to the Bank's reports, it made a total of \$985.1 million in loans and credits to other countries, from which the borrowers in fact drew \$388.4 million (see Table 5.3).

U.S. ruling circles made no secret of what were the aims of this new institution, which was displayed particularly clearly during discussion of the question of extending its functions.<sup>15</sup> The advocates of extension of its powers said in Congress that it should facilitate the United

Table 5.3

Size and Dynamics of the Export-Import Bank's Operations  
(\$ million)

Year	Credits opened	Actually paid out	Paid out on account of credit repayment	Total indebtedness on credits
1940	371.2	95.3	29.5	131.0
1941	182.9	116.8	61.7	186.1
1942	264.0	50.4	55.0	181.5
1943	63.2	55.7	33.2	205.9
1944	31.1	49.6	30.1	224.5
First half of 1945	72.7	20.6	31.1	214.1
Total	985.1	388.4	239.6	...
Accumulated as of 1 December 1939	283.6	115.2	49.9	...
Total from 1934 to 1 July 1945	1,268.7	503.6	289.5	...

Sources: Annual Reports of the Export-Import Bank, 1936-44; First Semiannual Report of 1 July 1945.

States' obtaining of strategic materials, and to provide support for American foreign policy. The State Department admitted that 'the Export-Import Bank became thus a definite instrument of American foreign policy'.<sup>16</sup>

The Bank continued, from time to time, it is true, to grant loans to finance the export of American commodities, e.g., cotton and tobacco. But its main function was broadened more and more, and the aims with which its operations were associated became more and more sweeping. It was that which caused the adoption on 31 July 1945 of an act to increase its lending power from \$700 million to \$3.5 billion, and give it the right to grant emergency loans, allowing for the political situation.<sup>17</sup> That was also a reason for the subsequent lifting of the limitations imposed by the notorious Johnson Act on the granting of loans and credits to countries that had not repaid their war debts to the USA.

The U.S. government, by employing the Export-Import Bank, thus gradually took the granting of loans to foreign governments more and more into its own hands. That suited the book of the American monopolies, and every proposal of the government's to extend the Bank's functions and capital met with the full approval of banking and industrial circles. It was not by chance that the President of the American Bankers Association, W. Randolph Burgess, urged its immediate adoption during the debate in the Congress in 1945 on the afore-mentioned act; American bankers saw several benefits and advantages for themselves

<sup>16</sup> E. L. Dulles. The Export-Import Bank of Washington. *The Department of State Bulletin*, 1944, 11, 284:667.

<sup>17</sup> See *International Transactions of the United States during the War, 1940-45*, p 10.

<sup>14</sup> Public Law 792, 76th Congress (54 Stat. 961), approved 26 September 1940.

<sup>15</sup> H. R. Committee on Banking and Currency. *Hearings on H.R. 10212 (superseded by H.R. 10361), August 6, 1940.*



in the fact that the U.S. government had itself become a regular banker.

How did the U.S. government in fact use the Export-Import Bank? First of all, to increase American capital's penetration of Latin American countries and to consolidate for the USA the positions that Great Britain and Germany had lost there during the war. The first loans made to Latin American countries during the war were already subordinated to that task.<sup>18</sup> In addition, political and other conditions increasing their dependence on the United States were horse-traded in exchange for loans. An example is Argentina's loans. Similar aims were pursued by loans and credits to Brazil totalling hundreds of millions of dollars. The Bank financed the building of the big Volta Redonda steelworks in Brazil to the tune of \$45 million, having thus actually placed the works under U.S. control. Half of the shares in the works were held by an American steel company.<sup>19</sup>

The U.S. government haggled a number of concessions from Mexico in the form of a lowering of duties on imported American commodities and meeting of American oil companies' demands for compensation for their property nationalised by the Cárdenas government. In addition, it was envisaged that the American loan of \$30 million would be used to build a road as part of a Pan-American military-strategic highway. These concessions of Mexico's on customs duties on imports found reflection in the American-Mexican trade agreement of 1942; their lowering was exploited by American monopolies as a means of stifling her national industry.<sup>20</sup>

Costa Rica, Honduras, Guatemala, Nicaragua, and El Salvador were granted loans to build their respective parts of the Pan-American highway. The significance attached to building it by the American government will be seen from the fact that no less than \$85 million was granted in loans, not to mention the technical 'aid' of engineers, etc.

The granting of loans to most Latin American countries was also made dependent on an increase in deliveries of strategic raw materials to the USA, viz., tin, lead, copper, etc. An example was the credits opened by the U.S. government during the war for Peru, Ecuador, and Chile, totalling \$44 million, in the main to finance the building of mines.

According to the official figures in the Bank's reports, the main aim of its loans throughout its operations has been to increase economically backward countries' output of strategic raw materials. As before the war, the loans to Latin American countries consolidated their position as sources of raw materials for American industry and markets for American goods. The efforts of some of them to set up their own facilities,

<sup>18</sup> According to official sources, the Bank advanced \$593 million in loans and credits to Latin American countries between September 1940 and December 1944, but the sum actually paid out was much lower (see H. Arey. *Op. cit.*, p 58).

<sup>19</sup> H. Arey. *Op. cit.*, pp 42-44.

<sup>20</sup> See Leland M. Goodrich (Ed.). *Documents on American Foreign Relations*, Vol. IV, p 357.

e.g., to refine petroleum (Venezuela, Mexico), invariably encountered the opposition of American monopolies.

A typical example of the advancing of loans through the Export-Import Bank for foreign policy ends was the loans to the Kuomintang authorities in China to fight the democratic forces of the country.

The use of loans and credits for expansionist ends began to grow rapidly in scale after World War II. They served the purpose of crude interference in the domestic affairs of other countries, and subordination of their economies to the needs of American monopolies. An example is the loans made to France, the Netherlands, Belgium, and Italy between August 1945 and the end of 1947, where they were used (as in several other European countries) as a means of giving political backing to reactionary political parties and politicians. Economically the loans pursued the ends for which the Marshall Plan was subsequently introduced, viz., to undermine the economic independence of European countries, and to sell stocks of surplus American goods. From the Bank's foundation in 1934 to 30 June 1953 it lent other countries a grand total of \$6,307.2 million.<sup>21</sup> The greater part of this was lent in the postwar period when the USA, taking advantage of many countries' economic difficulties, began to use loans on a particularly broad scale to import strategic raw materials from them and to subordinate their economies to her military-strategic plans.

According to the same official figures, a considerable part of the Bank's financial assets (\$2.7 billion) was in loans to European countries, which circumstance was directly connected with the forming of aggressive military blocs there; \$2.4 billion was lent to countries in Latin America, \$916.3 million to countries in Asia, \$375.6 million to Canada, and \$151.8 million to countries in Africa.<sup>22</sup> The overwhelming part of these sums (69.5 per cent on the average for all countries, 80 per cent for European countries, around 90 per cent for countries in Asia, Africa and Latin America, and 100 per cent for Canada) was employed to exert direct influence on the economies of the countries concerned so as to strangle those of their industries that blocked the export of American goods, and the rest directly to finance American exports.

After the introduction of the Marshall Plan the advancing of loans through the Export-Import Bank in essence became an integral part of the Plan. The fact that advances were made through the Bank in the form of loans at a certain rate of interest did not alter the gist of the matter, since the credit form had been simply a cloak from the very start.

In discussing the role of the Export-Import Bank's loans and credits, we must note that the U.S. government, allowing for the mood of certain business circles that were demanding normalisation of trade relations with the USSR, interpreted matters, when the Bank's powers were being debated in the Congress in 1945, as if one of its main tasks

<sup>21</sup> See Export-Import Bank of Washington. *Sixteenth Semiannual Report to Congress, 1953* (U. S. Govt. Printing Office, Washington, D. C., 1953), p 24.

<sup>22</sup> *Ibid.*, pp 22-24.



was to finance Soviet-American trade. Plans were announced, moreover, for opening a multi-billion dollar credit for the Soviet Union, but, as later became clear, American ruling circles had no serious intentions in that respect. The statement was made to deceive public opinion and the group of businessmen who favoured trade with the USSR. Underlying U.S. credit policy, including that implemented through the Export-Import Bank, was a profoundly hostile attitude to the Soviet Union. Loans and credits were used to militarise the economies of many lands, to create American military bases on other countries' territories, especially ones lying not far from the Soviet frontiers, and to form aggressive military groupings aimed against the USSR and other socialist countries.

## 1.2. Lend-Lease as a means of U.S. economic and political expansion

During World War II, and throughout the early postwar years, Lend-Lease, i.e. the supplying of munitions, etc., to Allies as a loan or on a rental basis, was widely employed by U.S. government circles and monopoly capital to implement their far-reaching expansionist plans. Lend-Lease deliveries constituted a substantial part of U.S. total expenditure on financing World War II, and were a main form of U.S. involvement in the war.

From the outbreak of the war the United States delivered munitions, etc., to Great Britain and France on cash terms (including gold and assets located in the USA). At the end of 1940 the United Kingdom's indebtedness for these supplies was \$762 million.

The defeat of the British troops at Dunkirk, however, the Hitlerite troops' occupation of France and other countries in Europe, and the placing of new British orders in the USA for munitions, etc., led to Britain's funds becoming rapidly exhausted. In those conditions the Congress adopted a law on Lend-Lease on 11 March 1941, which empowered the President of the USA

to sell, transfer title to, exchange, lease, lend or otherwise dispose of, to the government of any country whose defense the President deems vital to the defense of the United States, any other defense article procured from funds appropriate in this Act, in accordance with the provisions of the Act of March 11, 1941.<sup>23</sup>

Countries receiving aid through Lend-Lease signed bilateral agreements with the USA that provided for materials destroyed, lost, or used during the war not to be subject to payment after it was ended; material left over after the war, suitable for civilian consumption, was to be paid for in full or in part by means of long-term credits; war materiel left over after the war could be reclaimed by the U.S. government, although it repeatedly declared that it would not, as a rule, exercise that right; equipment and supplies ordered by one country or another, but not delivered by the end of the war, could be acquired by the contracting countries by means of long-term American credits. The

<sup>23</sup> *United States Code*, 1946 edition, Vol. II (U.S. Govt. Printing Office, Washington, D. C., 1947), p 2303.

countries signing agreements were obligated in turn to render the United States aid in supplies which they put at her disposal.

At the same time \$7 billion were appropriated for these purposes, including \$1.3 billion in the form of munitions that were government property. Subsequently Lend-Lease appropriations were more than once augmented and the number of countries getting the right to U.S. supplies under the act increased. On June 11, 1942

an agreement [was signed in Washington] between the Governments of the United States and the Union of Soviet Socialist Republics on the principles applying to mutual aid in the prosecution of the war.

in accordance with which most-favoured-nation treatment was extended to the Soviet Union, and points connected with Lend-Lease deliveries were settled.<sup>24</sup>

In resorting to Lend-Lease, American ruling circles considered that the previous forms of financing Allies, employed during World War I, did not suit the new conditions. Attention was paid, above all, to the fact that the Allies' indebtedness was repaid after that war, to the extent that it was met, only while reparations were collected from Germany.

This time the United States had no intention, from the start, of letting things run to a demand for Germany's compensation for the damage inflicted by her on the Soviet Union and other victims of Hitler aggression. The USA realised that the rise of a nexus of contradictions in the form of multi-billion debts of Allied states for war loans would put their payment in jeopardy right from the beginning. So preference was given to Lend-Lease, all the more so that it promised from the outset to be a rich source of billions in profits for American monopolies.

Lend-Lease deliveries were made altogether to 42 countries during the war, and came to a grand total of more than \$49 billion as of 31 December 1945. The USA received reciprocal aid to the tune of \$7,346 million. Britain and other Commonwealth countries received \$30.7 billion through Lend-Lease, France—\$2.4 billion, the Kuomintang authorities in China—\$1.3 billion.

Lend-Lease deliveries to the USSR began late in 1941. Subsequently they were made on the basis of the Soviet-American Agreement of 1942, and on 30 September 1945 their total value came to \$9.5 billion.

Lend-Lease and war supplies under it were broadly used by U.S. monopolies primarily for their own enrichment, the grabbing of world markets, development of war industry, and ultimately for preparation for a new war. American propaganda, while passing over in silence that indisputable fact, at the same time falsifies the real appraisal of Lend-Lease aid to U.S. Allies, and tries to represent its actual role in a distorted form, exaggerating it in every way. In particular it claims that Lend-Lease deliveries of munitions, etc., to the Soviet Union ensured its victory over Hitler Germany.

<sup>24</sup> Operation of the law on Lend-Lease was formally extended to the Soviet Union from 7 November 1941. According to official American sources, U.S. deliveries to the Soviet Union, before that, came to only \$41 million, and had been paid for in cash. See *The Department of State Bulletin*, 1942, 6, 155:531.



The groundlessness of such statements is obvious from a comparison of Lend-Lease deliveries with the volume of the production of munitions in the USSR during World War II. The Lend-Lease deliveries of the Allies played a definite positive role in equipping the Soviet Army with arms and materiel, but they did not decide the course and outcome of the struggle on the Soviet-German front. The bulk of the arms and military supplies was produced by Soviet industry. According to official American figures, 14,450 aircraft and around 7 thousand tanks were sent from the USA to the USSR during the whole of the war.<sup>25</sup> The main flow of American deliveries took place in 1943-4, i.e. when the forces of the Soviet Union had already achieved a radical turn in the war. Soviet industry, moreover, produced more than 30 thousand tanks and self-propelled guns and up to 40 thousand aircraft annually during the last three years of the Great Patriotic War. All the deliveries of industrial goods from the Allies during the whole of the war came to only 4 per cent of Soviet industrial production.<sup>26</sup> In the decisive battles of Moscow and Stalingrad Lend-Lease deliveries had practically no significance, a fact that has been recognised by a number of American politicians and writers.

Ex-President Herbert Hoover, for instance, had to admit that the USSR 'had stopped the Germans even before Lend-Lease had reached her'.<sup>27</sup> The American historian George Herring, Jr., wrote in his book *Aid to Russia 1941-1946*:

During the most critical days of Stalingrad, the United States fell far behind its protocol commitments...

Thus while the U.S. was able to fill important gaps in Soviet production and American aid undoubtedly gave the Russians a psychological boost in 1941, Lend-Lease military equipment played only a small part in Soviet operations through Stalingrad.<sup>28</sup>

On the whole, the voluminous literature that appeared in the USA during and after the war on Lend-Lease and its significance in the war was intended, on the one hand, to divert the broad public's attention from the fact of its use to enrich the big American monopolies, and, on the other hand, to spread lies in relation to the USSR, which bore the main burden of the war against Hitler Germany.

Lend-Lease deliveries were used by U.S. monopolies and ruling circles for their own narrow, vested, selfish interests. The aims of the ruling circles of the USA and Great Britain pursued in the war had nothing in common with the creation of a lasting peace. While the Soviet Union, in waging a self-sacrificing struggle against Hitler Germany, set itself the task not only of liberating the Soviet land

<sup>25</sup> See N. Cheklin. Summing Up Lend-Lease. *Vneshnyaya torgovlya*, 1945, 15, 10:12. Cited here from *Istoriya vneshnei politiki SSSR* (History of USSR Foreign Policy), Vol. 1, 1917-1945, Politizdat, Moscow, 1976, p. 440.

<sup>26</sup> N. Voznesensky. *Voyennaya ekonomika SSSR v period Otechestvennoi voiny* (The Soviet War Economy during the Great Patriotic War), Moscow, 1947, p. 74.

<sup>27</sup> Quoted by William Z. Foster in *History of the Three Internationals. The World Socialist and Communist Movements from 1848 to the Present* (International Publishers, New York, 1955), p. 421.

<sup>28</sup> George C. Herring, Jr. *Aid to Russia 1941-1946. Strategy, Diplomacy, the Origins of the Cold War* (Columbia University Press, New York, 1973), pp. 75, 76.

from fascist occupation, but of ending fascism, liberating the enslaved nations of Europe, saving world civilisation from the fascist barbarians, and not permitting a repetition of German aggression, the ruling circles of the USA and Great Britain were striving to get rid of Germany, and later of Japan, as competitors on the world market, and to establish their domination over the world. At the same time their reactionary imperialist circles considered the Soviet Union from a frankly anti-communist position, and based their calculations on weakening it, and dragging out the war for it.<sup>29</sup>

The desire to use Lend-Lease in order to implement Anglo-American plans to establish world domination after victory over Germany and Japan found expression in the building of numerous military bases already during the war on the territory of countries receiving Lend-Lease materials. The bases were built not in order to use them in the war against Hitler Germany or militarist Japan, but to prepare for a new war. Such, for example, were the U.S. bases in North Africa, the Philippines and Pacific islands, and in a number of countries in Europe.

Lend-Lease was not simply counted on as a means of increasing American exports in wartime. It also served as an important lever for U.S. postwar economic expansion, and prepared the ground for the American monopolies' subsequent steps undertaken after the war in order not just to retain the markets grabbed during it, but to bring the countries dependent on the USA more and more under her influence.

Finally, Lend-Lease was used exclusively for political purposes in the first years after the war, as a means of supporting certain governments, especially European ones, that suited the book of American monopolies, and to combat their democratic forces. Examples are Greece, Italy, France, China, and a number of countries in Latin America.

By delivering munitions, etc., to the Kuomintang regime during and after the war, the United States in that way employed these weapons against the democratic forces of China. The Kuomintang members did not use the American weapons against Japan, but against the Chinese people. Subsequent support for Chiang Kai-shek's regime after his troops had been thrown out of continental China, once more indicated the plans that U.S. ruling circles had been plotting when rendering China 'aid' via Lend-Lease.

Lend-Lease was thus a means for U.S. capital to implement its sweeping expansionist plans in the postwar period. That explains why, even after the end of the war, Lend-Lease deliveries still continued to many countries for several years, supplementing the Marshall Plan, 'aid' under 'Point 4' of the Truman Program, and other similar schemes that pursued a single aim, though under different labels, viz.,

<sup>29</sup> The secret thoughts of the people in U.S. ruling circles most hostile to the Soviet Union were expressed at one time by none other than President Truman. While still a Senator, he declared: 'If we see that Germany is winning we ought to help Russia and if Russia is winning we ought to help Germany and that way let them kill as many as possible' (*The New York Times*, 24 June 1941).



economic and political subordination of other countries and peoples to American imperialism.

As regards the postwar period, incidentally, the USA approached various countries in a differentiated manner. Some continued to receive Lend-Lease supplies, others were suddenly deprived of them in order to put these countries into a difficult position and saddle them with new dictated agreements. The USA treated Great Britain that way, and later France, imposing such agreements on them, simultaneously with settling Lend-Lease accounts, although their ruling circles now cannot, for understandable reasons, make an objective appraisal of the terms. Many British politicians openly expressed dissatisfaction then with this turn of events. The Conservative L. S. Amery, for example, wrote in 1946, not hiding his disappointment:

From our point of view we had, indeed, always assumed that 'taking the dollar sign' out of our partnership meant that these supplies were a free contribution to the common cause.<sup>30</sup>

What we have said above about the character and role of Lend-Lease as a means of expansion and achieving certain political aims found typical expression when it came to settling Lend-Lease accounts. After the war, on 6 December 1945, an Anglo-American financial agreement was signed by which Great Britain was to pay the USA a sum of \$472 million in compensation for Lend-Lease deliveries, which was around 2 per cent of the value of the supplies she received under the scheme.

As for the Soviet Union, the USA, having torn up the Soviet-American agreement on Lend-Lease, suddenly, without warning, stopped supplies to the USSR in May 1945. In October 1945 the USSR and the USA signed an agreement on the sale of Lend-Lease goods on credit. In January 1947 the American government unilaterally stopped deliveries to the USSR under that agreement.

During the negotiations with the USSR on settling Lend-Lease accounts, the U.S. government asked an exorbitant, absurdly high sum of \$1.3 billion (almost one-fifth of the value), and later \$1 billion and then \$800 million,<sup>31</sup> although deliveries to the Soviet Union had been less than half those to Great Britain, and one-third those to British Empire countries. American ruling circles thus openly took a path of discrimination in relation to the Soviet Union, although it had borne material and human losses in the war incomparably greater than those of the USA, and even those of the USA and Great Britain taken together. The fact that such a stand contradicted both the terms of the Soviet-American agreement and the official statements made by U.S. statesmen after fascist Germany's attack on the Soviet Union, in which they spoke of the community of aims in the war against the common enemy, did not embarrass them.

The agreement said that measures should be taken in the final determination of the 'recompense' to eliminate discrimination in

foreign trade. Not only that condition was not observed, but, on the contrary, the discrimination in trade with the Soviet Union practised by the USA, and under her pressure by a number of other countries (Great Britain, etc.), took on increasingly crude forms in the postwar years.

U.S. statesmen who favoured extension of Lend-Lease to the Soviet Union in 1941 recognised that the USSR and its armies were also fighting for the United States, and that the sacrifices they were bearing meant a saving of the lives of Americans. President Roosevelt declared in 1944: 'Lend-Lease is a powerful weapon working for the United States and the other United Nations against our common enemies.'<sup>32</sup> And President Truman also recognised in 1945 that Lend-Lease was advantageous to the USA because it was helping save the lives of millions of Americans.<sup>33</sup>

There were many such statements then. They were made particularly often by American statesmen at closed meetings, including ones with me, when I was Soviet Ambassador in the USA during the war. In other words American ruling circles then considered Lend-Lease a form of U.S. participation in the war. They used to say that a 'division of labour' had been established—the Soviet Union was taking the impact of Hitler Germany's whole might, backed by the productive resources of all Europe, while the USA had to send the USSR and other members of the coalition military and other supplies via Lend-Lease.

The decision to supply the Soviet Union under Lend-Lease was not due to any magnanimity of the USA's, but to awareness of the terrible danger presented by Hitler Germany and Japan to the United States. Those who determined U.S. policy in the war years understood that Hitler Germany's successes in the first stage of the war were a direct threat to the United States. They were especially alarmed after the fascist troops' occupation of France and other European countries. The former U.S. Secretary of State, Edward Stettinius, Jr., wrote in 1949:

The American people should remember that they were on the brink of disaster in 1942. If the Soviet Union had failed to hold on its front, the Germans would have been in a position to conquer Great Britain. They would have been able to overrun Africa, too, and in this event they could have established a foothold in Latin America.<sup>34</sup>

Many American politicians now pretend to have forgotten the conditions in which the USSR received supplies under Lend-Lease, and how insignificant their role was in actual fact. Furthermore, now, when the Soviet Union, which bore the main brunt of the war, is unmasking by its consistent political struggle for peace those who have taken the road of preparation of nuclear war, intensification of international tension, steep, reckless working up of the arms race (especially of nuclear arms), the circles in the USA most hostile to the USSR declare that Lend-Lease deliveries to the Soviet Union were a complete mistake.

<sup>30</sup> L. S. Amery. *The Washington Loan Agreements. A Critical Study of American Economic Foreign Policy* (Macdonald & Co., London, 1946), pp 105-106.

<sup>31</sup> See *Pravda*, 7 February 1951.

<sup>32</sup> *The Department of State Bulletin*, 1944, 10, 256:478.

<sup>33</sup> See *The Department of State Bulletin*, 1945, 12, 304:773.

<sup>34</sup> Edward R. Stettinius, Jr. *Roosevelt and the Russians. The Yalta Conference* (Doubleday & Co., New York, 1949), p 7.



Such frames of mind are not new. More than 30 years ago, the reactionary American journalist Hanson Baldwin, war correspondent of *The New York Times*, wrote:

We should, in other words, have occupied the bargaining position during the war, vis-à-vis Russia. Russia was the invaded power; Russia, fighting a desperate battle on her own soil, was in a death grapple with Germany. We were not similarly threatened.<sup>35</sup>

What was that, schizophrenia? No, it was the voice of an adventurist in politics, an actual accomplice of Hitler. William Bullitt, former U.S. Ambassador in the USSR, supported the same 'idea'. In an article published on 30 August 1943 in the American magazine *Life*, he tried to prove that the Soviet Union should not be sent Lend-Lease supplies.<sup>36</sup>

Expressions like that, which incidentally not only did not get the rebuff they should have from official U.S. circles, but often were encouraged by them, once more indicate what plans American leaders attached to Lend-Lease deliveries to the Soviet Union.

As we have already mentioned, the USA, breaking the Soviet-American agreement on Lend-Lease, suddenly, without prior warning, stopped deliveries to the USSR in 1945. In December 1946 the United States annulled an earlier agreement with the USSR on deliveries on long-term credit of materials and equipment ordered in the USA, but not shipped at the time Lend-Lease deliveries were stopped. The American government subsequently took the road of putting forward discriminatory terms in relation to the USSR for the settling of Lend-Lease accounts and dragged out the negotiations.

The Soviet side in the negotiations with the United States in 1947-8 and 1951-2, and at the beginning of 1960, took the view that discriminatory measures could not and should not be taken in relation to the Soviet Union, which had made the biggest contribution to victory over the enemy during World War II, measures that would put it in a worse position than the other countries that had received deliveries. The Soviet representatives based themselves on the clause of the Soviet-American agreement of 1942 which had said that

the final terms and conditions and benefits ... will be in the mutual interests of the United States of America and the Union of Soviet Socialist Republics and will promote the establishment and maintenance of world peace<sup>37</sup>; that

the terms and conditions thereof [of the settlement] shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them.<sup>38</sup>

In accordance with that the Soviet side insisted in the negotiations in January 1960 in Washington that an understanding on settlement of Lend-Lease accounts should be reached simultaneously with normalisation of commercial and economic relations between the USSR and the USA. The American side did not show readiness for such a solution of the matter.

<sup>35</sup> Hanson W. Baldwin. *Great Mistakes of the War* (Alvin Redman, London, 1950), p. 10.

<sup>36</sup> William C. Bullitt. *How We Won the War and Lost the Peace*. *Life*, 30 August 1948.

<sup>37</sup> *The Department of State Bulletin*, 1942, 6, 155:533.

<sup>38</sup> *Ibid.*, p. 534.

Negotiations were reopened in 1972; on 18 October 1972 the parties signed an agreement on settling Lend-Lease accounts, which fixed a lower sum of payments than originally asked by the USA (\$722 million). Under it payments were made dependent on granting the Soviet Union most-favoured-nation treatment in trade with the United States, and export credits and guarantees. But, because the position that the USA subsequently took on these matters was unacceptable to the USSR, the agreement remains suspended.

## § 2. Enrichment of American monopolies during the war, and intensification of interest in foreign expansion

World War II brought American corporations colossal profits. The big monopolies executing war orders were particularly enriched. The U.S. government, pursuing a policy that encouraged the monopolies' operations, especially those of the big ones, provided them with a guaranteed market, raw materials, and supplies. It granted very advantageous loans to private corporations and firms to extend their production capacity, the biggest, moreover, receiving the most advantages. Almost half of the total of war orders went to 30 of the biggest U.S. corporations.

As we remarked above, the transfer of government plants at a low price after June 1945 corresponded to the interests of the monopolies. Works and mills built with money collected in taxes from the public (which had produced munitions and supplies for the Army and Navy during the war, and also Lend-Lease deliveries) were in fact presented as a gift to the major monopolies. The government, moreover, recompensed the monopolies after the war for the 'losses' they bore in the first two postwar years, during transition of the economy to peacetime production. In 1945, in particular, the monopolies were returned part of their taxes on the pretext of recompensing them for outlays on reconversion. Real virtuosity was displayed in all these deals in the interest of Big Business.

Table 5.4

### Profits of American Corporations, 1941-1945 (\$ billion)

Year	Gross profits (total)	Net profits, after tax	Year	Gross profits (total)	Net profits, after tax
1935-1939 (annual average)	4.9	3.5	1942	21.0	9.2
1940	9.2	6.	1943	24.9	9.9
1941	17.1	9.2	1944	24.1	9.8
			1945	20.9	9.1

Source: *Survey of Current Business*, 1946, 26, 4: 10, 13.



The growth of American corporations' profits in the period 1941-5, compared with prewar (1935-9), is plainly visible from Table 5.4. The figures indicate that corporations' annual profits (before tax) averaged \$21.6 billion in the war years, or 4.5 times the figure for the preceding peacetime years (\$4.9 billion). Their net profits, in spite of substantial taxes, were also at a record level. Between 1941 and 1945 they averaged \$9.4 billion, or 2.6 times the average annual figure of \$3.5 billion for 1935-9.<sup>39</sup>

The same trend can be traced when the profits of corporations are compared for the main industries (see Table 5.5). According to the figures of the U.S. Department of Commerce, the gross profits of the 200 largest American manufacturing corporations almost doubled between 1939 and 1945, and their net profits increased by 31 per cent. In 1945 they made 25.5 per cent of the net profits of all American corporations.<sup>40</sup> The major banking monopolies involved in financing war expenditure also waxed fat, primarily by investing heavily in war bonds.

Finally, Lend-Lease was an important source of enrichment of American monopolies both during the war and in the early postwar

Table 5.5

Profits by Sectors of the U. S. Economy, 1936-1939; 1942-1945

Sector	Average annual profit				Average annual net profit			
	\$ million		Percentage of sales		\$ million		Percentage of sales	
	1936-1939	1942-1945	1936-1939	1942-1945	1936-1939	1942-1945	1936-1939	1942-1945
Agriculture, forestry & fisheries	11	119	1.8	13.7	3	51	0.5	5.9
Mining	332	646	11.6	16.8	285	472	10.0	12.9
Contract construction	32	227	1.6	5.8	18	7.9	0.9	2.0
Manufacturing	3,163	13,146	5.6	9.6	2,467	5,070	4.4	3.7
War industries	1,694	7,622	7.6	10.3	1,317	2,664	5.9	3.6
Non-war industries	1,469	5,524	4.3	8.7	1,150	2,406	3.4	3.8
Wholesale and retail trade	743	3,201	1.8	5.4	551	1,312	1.3	2.2
Transportation	33	2,200	0.5	16.3	-42	904	-0.6	6.7
Communications and public utilities	761	1,479	15.3	21.3	611	703	12.3	10.1
Services	58	496	1.8	10.0	28	196	0.9	4.0

Source: *Survey of Current Business*, 1946, 26, 4:10.

<sup>39</sup> Calculated from *Survey of Current Business*, 1946, 26, 4:10, 13, 15.

<sup>40</sup> Calculated from *Survey of Current Business*, 1947, 27, 11:20.

period. It is impossible, for understandable reasons, to find any official U.S. figures on the profits made by the monopolies from Lend-Lease deliveries. Not a single Congress committee got around to that question, although the Congress did, in individual instances, go into the most scandalous cases of certain firms, so as to satisfy public opinion. But the whole thing usually boiled down to a hearing of spokesmen of the firms and their lawyers.

The facts are firmly walled up in the strong rooms of the appropriate American departments. Nevertheless, an approximate idea of the profits made by American monopolies from war supplies can be got from the fact that the volume of Lend-Lease deliveries during World War II alone was 4.5 times as big as the deliveries to the Allies on credit in World War I. That means that their profits from Lend-Lease alone were at least 4.5 times as great as those they had made during World War I from war supplies for the Allies.

Such were the direct commercial results of Lend-Lease for U.S. monopolies, but that did not exhaust the benefits they received. Lend-Lease primarily caused a rapid increase of American exports and led to a steep expansion of the volume of U.S. foreign trade, as the following figures indicate. Whereas U.S. average annual exports had been only around \$3 billion in the three years before the war, they had already risen to \$6.9 billion in 1941, and reached \$21.4 billion in 1944. More than 80 per cent of the total volume of goods delivered at the end of the war consisted of Lend-Lease supplies.<sup>41</sup> Since all the expenditure on bulk purchases under Lend-Lease was paid out of the Federal Budget, the billions of profits that U.S. monopolies made from their sale came wholly from the American taxpayer.

Realisation of the Lend-Lease programme, moreover, helped toward a rapid increase of the U.S. production apparatus to enormous dimensions (in 1943 it had risen by over 50 per cent compared with 1935-9).

There were many direct representatives of the monopolies in the inflated government machinery and the numerous agencies having to do with deliveries. The key posts in the various boards and bureaux that decided questions of the prices of materials exported under Lend-Lease were held as a rule by representatives (the chairmen or members of boards of directors) of the big American monopolies that were their suppliers.

Officials did not fail to use their positions to raise the prices of delivered munitions, etc., to the maximum, the more so that there were no laws in fact limiting these prices. When the prices of materials delivered under Lend-Lease did not suit corporations, they simply refused to fill the orders. There were such cases both on the eve of the USA's entry into the war and after.

The records of the Monopoly Investigation Committee set up by the U.S. Congress (Monograph 26) says:

<sup>41</sup> *International Transactions of the United States during the War, 1940-45*, p. 7.



In the 1940 defense crisis business displayed much the same attitude that it had shown 23 years earlier. Business would help the government and the people, but the basis of payment thereof would have to be fixed before the wheels would begin to turn. Profits, taxes, loans, and so forth, appeared more important to business than getting guns, tanks and airplane motors into production...

It developed that business did not want to work for the country on the basis of a 7 or 8 percent profit.<sup>42</sup>

All these persons reported back on their operations and activity on Lend-Lease during the war to one another and to the Lend-Lease Administration, which was headed by the millionaire Edward Stettinius, Jr., president of the biggest steel corporation of the USA (who later became Secretary of State). The last word on such matters as prices lay with this Administration, which was wholly in the hands of monopolists.

It was not easy for the ordinary American to make anything out of the labyrinth of agencies for controlling war production, transport, Lend-Lease, etc., and to understand that the whole complicated machinery worked in order to pump out billions of profits for the monopolies through the prices fixed by them for exported materials. At that time many people turned up in the U.S. capital who occupied important posts in agencies of this kind 'without pay'. They were usually known as 'one-dollar men'. They advertised their 'self-denial', displaying ostentatious modesty, but in fact, while receiving their old salaries from their corporations, wangled things quite well in the interests of those same corporations and the banks associated with them, which all confirms Lenin's words that

capitalist 'war' economy (i.e., economy directly or indirectly connected with war contracts) is systematic and legalised *plunder*.<sup>43</sup>

Quite a few cases were exposed in the USA after the war in which some highly placed person had used his official position in the narrow interests of the biggest monopolies in order to multiply their profits. We may recall the case of the former Secretary of the Air Force, Harold E. Talbott, who was forced to resign in August 1955 after facts were disclosed of his use of his official position in the interests of a number of private American firms with which he was closely connected. If such facts were common after the war, it is not difficult to imagine how things were during it, when the big American corporations and firms were straining to get more contracts for munitions, etc., and when the word of a representative of the appropriate U.S. agency often decided which rival corporations would be given preference when Lend-Lease orders were being placed.

American monopolies continued to get no little income from foreign capital investments, particularly direct ones. During the war years (1940-45), according to the Department of Commerce, the revenue from foreign American investments came to \$3,257 million, including net receipts of \$2,217 million from capital investments, or an average of

<sup>42</sup> George Seldes. *One Thousand Americans* (Boni & Gaer, New York, 1947), p 141.

<sup>43</sup> V. I. Lenin. *The Impending Catastrophe and How to Combat It. Collected Works*, Vol. 25 (Progress Publishers, Moscow, 1977), p 344.

\$369.5 million a year. As will be seen from Table 5.6, the biggest profits of American bankers and industrialists came from private direct investments (\$2,349 million), which constituted 72.12 per cent of the total U.S. revenue from investments abroad. Receipts from portfolio investments came to \$807 million, or 24.8 per cent of the total income from foreign investments. Revenue from government investments rose more than five times over in the same period, but its weight in the grand total remained insignificant, only 2.2 per cent (\$73 million).

Table 5.6

Revenue from U.S. Foreign Investments, 1940-1945  
(\$ million)

	1940	1941	1942	1943	1944	1945
Total	564	544	514	508	572	555
Private	561	535	496	497	556	539
long-term	555	530	492	593	552	534
direct	413	400	358	368	418	392
portfolio	142	130	134	125	134	142
short-term	6	5	4	4	4	5
U. S. government	3	9	18	11	16	16

Source: *International Transactions of the United States during the War, 1940-45*, p 69.

The greater part of the revenue from private direct investments came from manufacturing, the production and refining of oil, and mining. The scale of the receipts from U.S. direct investments in 1940-45 by years and industries can be seen in Table 5.7.

Latin American countries provided 49 per cent (\$1,151.4 million) of the total profits obtained by American monopolies from direct investments abroad, Canada 28.3 per cent (\$665.8 million), and countries of the sterling area 13.9 per cent (\$326.5 million).

The proportion of *Latin America* in the total U.S. revenue from direct investments abroad rose from 37 per cent in 1940 to 56 per cent in 1944, as a result mainly of an increase in the receipts of American oil companies in Venezuela and certain other countries of the region (from \$36.4 million in 1940 to more than \$400 million in 1945). The proportion of oil, mining and smelting, and agriculture in the income received by the USA from direct capital investments in Latin America varied from two-thirds to three-quarters of the total. The rate of profit on American investments there reached 10.1 per cent in 1944; the average for 1940-45 was 9.6 per cent. The highest income was received from direct investments in Cuba, Argentina, Chile, and Brazil.

The USA obtained the following percentages of her imports from Latin America during the war: copper 83 per cent, sugar 82 per cent,



Table 5.7

Income from U.S. Direct Foreign Investments, by Industry,  
1940-1945  
(\$ million)

Industry	1940	1941	1942	1943	1944	1945
All areas, total	412.5	400.4	358.3	367.8	418.0	392.1
manufacturing	112.9	105.8	97.5	96.5	85.4	76.2
petroleum	93.7	90.9	66.7	77.7	140.0	137.8
mining and smelting	86.3	89.1	79.6	75.4	64.8	50.9
public utilities	35.8	37.5	40.3	42.1	42.6	38.5
distribution	34.6	28.5	25.5	29.8	31.0	30.4
agriculture	13.3	18.3	22.5	18.3	28.7	30.6
pulp and paper	8.0	7.1	5.2	6.3	5.4	9.6
others	27.8	23.3	21.0	21.7	20.1	18.0

Source: *International Transactions of the United States during the War, 1940-45*, p 73.

vanadium 77 per cent, flax 68 per cent, mercury 67 per cent, tin 56 per cent, tungsten 49 per cent, mica 48 per cent, rubber 43 per cent. She also obtained 100 per cent of her total imports of cork, kapok, cinchona bark, and quartz crystals, and 90 per cent of her imports of tanning agents from that region.

American monopolies' income from direct investments in *Canada* during the war was the highest after that from Latin America, in spite of a certain drop in the total. The rate of profit from them averaged 7.2 per cent for 1940-45. Canada's per capita material share in supplying the war operations of the Allies was substantially higher than that of the United States. Under the treaty on Lend-Lease, Canada supplied nearly \$2 billion worth of materials; before that it had lent Great Britain \$2.7 billion. The grants and loans lent by Canada to European countries after World War II came to \$2,011 million, which was equivalent in terms of population to \$25 billion in the USA; the United States, however, advanced less than half that amount at that time, viz., \$11.5 billion. The comparison shows once more that the USA was more interested in the export of capital than in rendering broad aid in the fight against fascism.

The main reason for the fall in income from *sterling area countries* observable in that period was the reduction in receipts from investments in Great Britain. Her share in total income from direct investments in these countries fell from 59 per cent in 1940 to 49 per cent in 1944. But the lowering of investment income in Britain was partly compensated by a growth of income from direct investment in the oil industry in Australia, Egypt, and India.

According to the U.S. Department of Commerce, revenue from direct investments in the sterling area was \$58.1 million in 1943, of which \$32.1 million came from Great Britain (55.2 per cent), \$7.8 million from Australia, \$6.5 million from India, \$5.5 million from South Africa, and \$1.9 million from Egypt. The rate of profit from direct investments was 15.9 per cent in India, 11.4 per cent in Egypt, and 10.3 per cent in South Africa.<sup>44</sup> The average rate of profit on American investments in the sterling area in 1941-5 was 7.1 per cent.<sup>45</sup>

The figures in Table 5.8 indicate the scale of the profits made by the USA from direct foreign investments in various areas by industries, and in Table 5.9 by countries, during the war. Canada, Venezuela, Chile, and Cuba provided the bulk of these profits, leaving the countries of the Old World, Africa, and Asia far behind.

The vast profits made by American monopolies during World War II created the soil for the beginning of a new, postwar stage in the struggle for markets and sources of raw materials, and in effecting a broad expansion of American capital abroad. In the war years the USA also laid the basis for an active employment of the machinery of state in the monopolies' struggle for new areas of American investment abroad.

While American monopolies were making fortunes from war orders and getting richer, the war meant, for the mass of the U.S. working people, an increase in the tax burden, uncertainty of the morrow, growth of inflation, unemployment, and material privations.

The enrichment of the American monopolies during World War II led, as already mentioned, to a growth of their interest in further foreign expansion. New forms and methods were needed in order to realise these plans. By means of them U.S. ruling circles and monopoly capital strove, above all, to preserve and increase their political dividends from membership of the anti-Hitler coalition, and to increase and consolidate their position as leader in the world capitalist economy gained during the war.

The new forms found expression, in particular, in the setting up, in 1944, already during the war, of two major inter-state monetary and financial institutions, the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund (IMF). These organisations were founded after long preliminary work by American government agencies—the Treasury and the State Department—and big U.S. banks. In Chapters 6 and 7 we will show how they were employed as a cover for the American monopolies' economic and political enslavement of other countries, and their cornering of foreign markets, sources of raw materials, and spheres of investment.

When the Soviet people and its army were straining every nerve to defeat Hitler Germany, defend the freedom and independence of the Soviet state, and save other nations from fascist subjugation, plans for broad economic expansion after the war by means of international

<sup>44</sup> *International Transactions of the United States during the War, 1940-45*, p 240.

<sup>45</sup> *Ibid.*, p 70.



Table 5.8

Distribution of U.S. Income from Direct Investments,  
by Area and Industry, 1940-1945  
(\$ million)

Area	1940	1941	1942	1943	1944	1945
Sterling area, total	61.1	47.3	53.4	58.1	54.5	52.1
manufacturing	26.7	23.2	22.5	24.2	21.3	20.2
distribution	12.2	10.5	10.1	12.0	11.3	13.0
agriculture	1.9	...	0.2	0.2	0.2	0.3
mining and smelting	2.1	1.1	1.6	1.8	1.2	0.7
petroleum	13.7	10.1	14.3	16.1	17.5	16.3
public utilities	0.1	0.1	0.2	0.1	0.1	0.1
sundry	4.3	2.2	4.4	4.6	2.8	1.4
undistributable	0.1	0.1	0.1	0.1	0.1	0.1
Canada, total	127.6	120.6	114.0	109.5	101.0	93.0
manufacturing	51.8	50.3	51.0	44.3	41.1	34.4
distribution	6.3	4.1	4.1	3.8	3.8	4.0
agriculture	0.1	0.1	0.1	0.1	0.1	0.1
pulp and paper	8.0	7.1	5.2	6.3	5.4	9.6
mining and smelting	31.2	32.0	25.8	25.1	24.7	20.9
petroleum	5.3	7.1	6.2	6.2	4.7	4.6
public utilities	16.6	14.1	15.4	16.8	14.7	13.2
sundry	3.2	0.7	1.0	1.2	1.2	1.0
undistributable	5.1	5.1	5.2	5.7	5.3	5.2
Latin America, total	152.9	179.2	176.6	180.9	241.7	220.1
manufacturing	20.2	18.8	21.5	21.9	21.7	18.0
distribution	9.8	9.9	11.5	11.7	14.9	12.5
agriculture	11.3	18.1	22.2	18.0	28.4	30.2
mining and smelting	53.0	56.0	52.2	48.5	38.9	20.3
petroleum	36.4	47.5	39.8	51.1	107.2	100.8
public utilities	16.9	21.8	24.5	24.8	25.1	25.2
sundry	4.9	6.8	4.5	4.5	5.0	3.7
undistributable	0.4	0.3	0.4	0.4	0.4	0.4
Other countries, total	70.8	53.3	14.3	19.3	20.8	26.8
manufacturing	14.2	13.5	2.5	6.0	1.3	3.6
distribution	6.3	4.0	-0.2	2.3	1.1	0.9
petroleum	38.3	26.2	6.4	5.3	10.5	16.1
public utilities	2.2	1.5	0.2	0.4	2.6	...
sundry and undistributable	9.8	8.1	5.4	5.3	5.3	6.2

Source: *International Transactions of the United States during the War, 1940-45*, p. 74.

Table 5.9

Profits from U.S. Direct Foreign Investments,  
by Selected Countries, 1940-1944  
(\$ million)

Country	1940	1941	1942	1943	1944
Sterling area					
Australia	4.8	4.5	7.0	7.8	9.5
British West Indies	1.2	0.7	0.8	0.7	0.6
Egypt	0.8	1.4	2.2	1.9	2.1
India	3.6	2.3	5.3	6.5	5.1
South Africa	9.0	8.2	5.4	5.5	7.0
Great Britain	35.8	26.2	28.1	32.1	26.8
Canada	127.6	120.6	114.0	109.5	101.0
Latin America					
Argentina	18.2	20.0	20.6	15.8	19.7
Brazil	11.0	13.9	15.4	23.5	18.7
Chile	39.0	41.7	35.6	34.6	31.1
Cuba	16.1	27.0	26.4	19.9	27.5
Dominican Republic	1.9	1.3	4.7	5.7	6.7
Guatemala	2.6	2.2	3.6	4.4	3.7
Honduras	2.4	2.2	1.6	1.8	3.6
Mexico	12.0	12.2	14.6	16.9	15.9
Panama	3.0	4.0	3.7	6.0	4.1
Peru	13.8	9.7	10.3	8.0	8.1
Uruguay	1.8	0.9	0.9	0.6	1.2
Venezuela	33.1	43.2	32.2	38.1	81.4
Other countries					
China	5.1	1.0	0.9	0.2	0.2
Portugal	0.3	1.0	0.3	1.3	1.1
Spain	0.3	0.05	0.3	0.7	3.3
Sweden	1.2	1.2	2.0	1.0	0.9
Switzerland	2.0	1.0	1.0	1.3	1.2

Source: *International Transactions of the United States during the War, 1940-45*, p. 210.

agencies controlled by the United States were being worked out in the chancelleries of U.S. government departments and Wall Street banks. Both the international institutions mentioned were the product of a single strategic idea and are an integral part of the general expansionist policy of American ruling circles.



## CAPITAL EXPORTS IN THE SERVICE OF U.S. POSTWAR IMPERIALIST EXPANSION

### § 1. The increase in American expansionism after World War II

Victory over fascist Germany and militarist Japan caused a radical turn in the world and led to a new balance of forces in international relations.

The decisive turn was the forming of a socialist community of nations and states, an event that most clearly expressed the radical change in the balance of class and political forces after World War II in favour of socialism, progress, and peace. The Soviet people's historic victory in the war once more confirmed that there are no forces that can stop the victorious march of socialism and communism.

Lenin remarked in 1921 that the world was divided into 'capitalism abroad and Communist Russia'.<sup>1</sup> Now a whole system of socialist countries has developed. Socialism has emerged beyond the bounds of one country and a socialist world has been established as 'an integral part of the class struggle being waged in the international arena', as the International Meeting of Communist and Workers' Parties in 1969 defined it.<sup>2</sup> That conclusion of the Communists' international forum has something in common with Lenin's conclusion that the struggle between socialism and capitalism has a universal character, and permeates all international affairs.<sup>3</sup>

The democratic forces have grown and become stronger in the countries of developed capitalism. The apparently unshakeable foundations of the colonial empires have begun to rock. The course of events has clearly taken the turn the bosses of the capitalist world have not counted on. The foundations of the system based on the dominance of capital and on exploitation and oppression are bursting at the seams.

With the despair of doomed men who did not want to reckon with the objective course of social progress, the imperialists began to make efforts to change these trends of development, if they could, to stop the flywheel of forward movement and even put it into reverse, and 'recover' their lost positions. Such efforts were made immediately after the defeat of fascist Germany.

One can only imagine how far mankind would have advanced on the road of progress if the imperialist powers had not dynamited then the foundations of mutual relations between the leading countries of the

<sup>1</sup> V. I. Lenin. On the Kronstadt Revolt. *Collected Works*, Vol. 36 (Progress Publishers, Moscow, 1971), p 538.

<sup>2</sup> *International Meeting of Communist and Workers' Parties, Moscow 1969* (Peace and Socialism Publishers, Prague, 1969), p 22.

<sup>3</sup> See V. I. Lenin. Ninth Congress of the R.C.P.(B.). March 29-April 5, 1920. *Collected Works*, Vol. 30 (Progress Publishers, Moscow, 1977), p 450.

two socio-economic systems, and had not opposed the principles of international dominance in practical affairs to the positive experience gained in the period of co-operation. Anti-popular, aggressive principles gained the upper hand in the actions of the Soviet Union's partners in the war, which not only did not further mankind's gradual evolution toward real democracy, lasting peace, and harmonious progress, but held it back.

That concerned, in the first place, the problems of guaranteeing peace. Lenin's words 'what we prize most is peace and an opportunity to devote all our efforts to restoring our economy'<sup>4</sup> gained new force. At the same time the imperialist West took a course of an arms race and preparation for a new world war. There is no need to recall what absurd plans were concocted in that connection. If they were not realised it was because of the might and active struggle of the Soviet Union, fraternal socialist countries, and all progressive humanity.

American imperialism displayed particular aggressiveness. The U.S. monopolies tried to interpret the results of the war in their own way, made broad, global claims and announced a new repartition of the world, especially at the expense of some of their Allies, and subordination of whole countries and regions to themselves. Washington, and President Truman, not wanting to take the will of the peoples of the world into account, proceeded from a false, unhistorical premises that

whether we like it or not, we must all recognize that the victory which we have won has placed upon the American people the continuing burden of responsibility for world leadership.<sup>5</sup>

The means employed to realise that claim were various—political, military, and economic.

Great significance was attached to the export of capital. While not counterposing these trends of imperialist policy to one another, we must again stress that the concrete stimuli and expansionist aspirations of capital, and its imperialist essence, formed the foundation on which all the means and methods of U.S. international activity were based. The expansionist nature of capital can be traced without difficulty in every U.S. foreign policy programme. The specific nature of the post-war expansion is that it began to be realised on a great scale and with unprecedented politico-ideological subtlety. A system of 'ideological myths' was developed that veiled the real sense of imperialist intentions.

'Ideological myths' of a kind also developed as regards the international movement of capital, among which various conceptions of 'aid' had an important place. Quite a few conceptions and government programmes of this kind were developed over the years in U.S. inter-

<sup>4</sup> V. I. Lenin. Speech Delivered at the Fourth All-Russia Congress of Garment Workers, February 6, 1921. *Collected Works*, Vol. 32 (Progress Publishers, Moscow, 1975), p 115.

<sup>5</sup> *Public Papers of the Presidents of the United States. Harry S. Truman. Containing the Public Messages, Speeches, and Statements of the President, April 12 to December 31, 1945* (U.S. Govt. Printing Office, Washington, D. C., 1961), p 549.



national practice, many of which have been analysed in detail in the economic literature, as will be seen from our bibliography.

The main idea that permeated all of them was American monopoly capital's drive to saddle the maximum number of countries, with the minimum possible outlays, with an internal order suitable to U.S. monopolies and standards of international behaviour oriented on Washington's requirements. Hence the gambling on reaction, militarism, and stifling of democratic freedoms, i.e. methods that constitute the pith of monopolies' operations and reflect their rapacious character. Every such programme contains references to the need to 'defend' the national interests of the USA and her international security. And an obligatory component that she constantly demanded 'in exchange' was, for example, partial renunciation of sovereign rights, the establishment of a favourable 'climate' for foreign investments, unconditional priority for private capital as an expression of 'inviolable human rights', etc.—the imperialist symbiosis of expansion and cynicism!

## § 2. The aggressive essence and consequences of 'aid'

The broad economic expansion of the USA after World War II got its clearest expression in various kinds of plans and programmes of 'aid' to other countries. As a specific, surrogate form of the international movement of capital that included the lending of resources on privileged terms, as well as traditional movement in the form of loans, foreign 'aid' has become a typical feature of the American Administration's postwar activity to stimulate the export of capital and secure favourable conditions for the functioning of American corporations' foreign affiliates, and to maintain the dependent character of the development of many countries in Asia, Africa, and Latin America.

Quite a few plans and programmes of economic and military 'aid' appeared both right after the war and later, usually coinciding with the realisation of certain political objectives that U.S. ruling circles had set themselves at that time. On the whole, U.S. economic expansion and its concrete forms were actively combined with realising Washington's political, military, and strategic plans in Europe, Asia, Africa, and other parts of the globe. A prominent place was assigned in them to drawing a number of countries into aggressive military blocs, restructuring their economic and political set-up in relation to the needs of these blocs and American imperialism's expansionist aspirations.

The nature and aims of the various plans of American economic and military 'aid' can only be appraised in the light of the main direction of U.S. policy. As already mentioned, a main orientation, viz., active pressure on the economy, policy, and social and cultural set-up of the respective countries through the granting of loans, credits, subsidies, etc., ran through all these plans. The U.S. government, moreover, played an active and often decisive role in implementing them. While the invasion of private American capital often only ultimately

led, through several intermediate links and stages, to the economic and political subordination of the countries that were in the sphere of the injection of foreign capital, direct U.S. influence was exerted through these programmes on the countries receiving 'aid' that went as far as the employment of means of crude dictation.

That is confirmed by many facts relating to the granting of American 'aid'. That is why all the 'aid' programmes imposed by Washington became a synonym in postwar international affairs for imperialist expansion and an aggressive course in foreign policy alien to the interests of really equal international co-operation.

An important means of U.S. economic expansion after the war was the Marshall Plan, and the loans and credits granted and grantable to a number of countries in accordance with the Mutual Security Act. It can definitely be said that these loans and credits were given a special role from the start in the new postwar conditions, i.e. in conditions of a growth in the aggressiveness of U.S. ruling circles' policy. That largely explains why the volume of loans, credits, and other forms of 'aid' exceeded the scale of the United States' financing of other countries in preceding years. The American credits of World War I opened for the Allied powers were far exceeded in total by the new loans, credits and other types of 'aid'.

After 1947 a number of laws were enacted in the USA on foreign 'aid'. The main ones were the following:

1. the Greek-Turkish Aid Act of 1947 on military and economic aid to Greece and Turkey;
2. the Foreign Assistance Act of 1948, which provided for economic 'aid' to West European countries (the Marshall Plan), and to Greece, Turkey, and Taiwan;
3. the Mutual Defense Assistance Act of 1949 on mutual aid for security purposes, which provided for military 'aid' to countries belonging to the North Atlantic bloc, and also to Iran and Taiwan;
4. the law of 1950 on helping foreign countries, a section of which also provided for rendering underdeveloped countries technical 'aid' (Point 4 of the Truman Program);
5. the Mutual Security Act of 1951, which combined all the 'aid' programmes (economic, technical, and military) previously implemented by the United States into one;
6. the act passed by the Congress in 1957 on aid to Middle Eastern countries in accordance with the Eisenhower 'Doctrine', which subsequently collapsed;
7. the Foreign Assistance Act of 1961, which reflected the new approach of the Kennedy Administration to following a long-term strategic line in regard to developing countries.

The figures in Table 6.1 witness to the scale of U.S. 'aid' from 1946.

The total appropriations for the forms of 'aid' shown came to \$107 billion in the first 20 years after World War II.<sup>6</sup> The bulk of the funds

<sup>6</sup> When allowance is made for interest on the loans and the repayment of credits over the indicated period, the actual total was around \$90 billion.



Table 6.1

American 'Aid' to Foreign Countries  
(\$ billion)

Form of 'aid'	1946-8	Marshall Plan	Mutual Security Act, 1951	Act of 1961	1946-1965
		1949-52	1953-61	1962-5	
Military and economic, total (in round figures)	13.1	21.7	47.5	24.9	107.1
military	0.5	3.0	23.4	7.9	34.8
credits and loans	—	—	0.2	0.4	0.6
subsidies	0.5	3.0	23.2	7.5	34.2
economic	12.6	18.6	24.1	17.0	72.4
credits and loans	6.0	2.6	5.9	8.3	22.8
subsidies	6.6	16.1	18.2	8.7	49.6
Export-Import Bank credits	2.4	0.9	3.6	1.3	7.9

Compiled from: *U.S. Overseas Loans and Grants and Assistance from International Organizations, Obligations and Loan Authorizations, July 1, 1945-June 30, 1973* (U.S. Govt. Printing Office, Washington, D.C., 1974).

was granted at the end of the 40s and in the 50s (77 per cent), the volume of 'aid' being \$41.3 billion in the period up to 1955.<sup>7</sup>

In that period (up to August 1955) the USA sent around \$50 billion abroad under the Marshall Plan, as military 'aid', and 'aid' under Point 4 of the Truman Program, etc.<sup>8</sup> But that total is not complete. When the sums expended on what American official sources and economic literature term 'aid' are added to the credits, the Lend-Lease balances calculated for certain capitalist countries, and balances from UNRRA funds, etc., the total up to and including 1955 would be much greater. The total of U.S. overseas grants and credits from 1 July 1945 to 31 December 1955, broken down into its various forms, is presented in Table 6.2.

In the period between 1956 and 1965 the USA gave other countries \$47.3 billion in grants and credits, of which grants accounted for 78 per cent and credits 15 per cent. Furthermore, \$19.2 billion was for military 'aid', while \$24.7 billion was for technical and economic 'aid' (41 per cent and 52 per cent respectively of the total appropriations).<sup>9</sup>

The figures on the geographical distribution of American 'aid' in the first postwar decades merit attention (see Table 6.3). They clearly show that the bulk of the appropriations (67 per cent) in the period up

<sup>7</sup> See Foreign Relations Commission, *Report 1799, 83rd Congress, 2nd Session, July 13, 1954*, p. 16.

<sup>8</sup> See W. Z. Foster, *On the Fight Against Keynesism. Political Affairs*, 1955, 34, 8:37.

<sup>9</sup> Calculated from *Statistical Abstract of the United States, 1979* (U.S. Govt. Printing Office, Washington, D. C., 1979), pp 853-854.

Table 6.2

Structure of American 'Aid'  
(\$ million)

Purpose of grants and credits	Total (1 July 1945- 31 December 1955)
<i>Subsidies and grants</i>	
Mutual Security Programme	32,061
military 'aid'	14,249
economic and technical 'aid'	17,812
Civilian supplies	5,850
UNRRA	3,443
Lend-Lease	1,960
'Aid' to Greece and Turkey	653
'Aid' to the Philippines	635
Deliveries of farm 'surpluses' through private agencies	319
Military equipment loans	303
Inter-American programmes	158
Economic 'aid' to the Kuomintang regime ('stabilisation fund')	120
Military 'aid' to the Kuomintang regime	261
Other	435
Prior grants converted into credits	-2,256
Reverse grants	-1,603
Net grants, total	42,283
<i>Credits</i>	
Export-Import Bank credits	4,546
British loan	3,750
Mutual Security Programme	1,942
'Surplus' property (including merchant ships)	1,482
Lend-Lease (excluding settlement credits)	71
Other	497
Prior grants converted into credits	+2,256
Principal collections	-3,678
Net credits, total	10,868
Grand total of grants and credits	53,151

Source: *Statistical Abstract of the United States, 1956* (U.S. Govt. Printing Office, Washington, D.C., 1956), p. 890.



Table 6.3

Geographical Distribution of U.S. Government Foreign  
Grants and Credits  
(\$ million)

Countries and areas	1945-55	1955-65
Military grants	16,445	19,159
Western Europe (excluding Greece & Turkey) and dependencies	9,580	6,554
Near East (including Greece, Turkey, and Egypt) and South Asia	2,061	3,873
Africa (less Egypt)	7	166
Far East and Pacific region	4,403	7,618
Western hemisphere	236	712
Economic 'aid' (grants and credits)	38,054	27,503
Developed capitalist countries	27,129	-2,097
Great Britain	6,923	-532
France	5,477	-1,238
West Germany	3,907	-852
Italy	2,795	120
Japan	2,302	238
Other countries and areas	10,925	29,600
Near East, Europe, South Asia	3,163	12,338
Egypt	41	1,009
Greece	1,324	330
India	399	4,796
Israel	390	483
Pakistan	178	2,416
Turkey	385	1,418
Africa	143	2,095
Morocco	7	443
Tunisia	2	392
Zaire	0.5	248
Far East and Pacific	4,452	7,547
Taiwan	1,257	862
South Korea	1,358	2,517
South Vietnam	245	2,517
The Philippines	833	297
Latin America	1,452	4,474
Brazil	470	1,200
Chile	85	651
Mexico	226	177

Source: *Statistical Abstract of the United States, 1979* (U.S. Govt. Printing Office, Washington, D.C., 1979), pp 854-856.

to 1955 were for 'aid' to developed capitalist countries, mainly in Western Europe. In the next decade there was a re-orientation of the flow toward developing countries, whose share was already 90 per cent of the total of economic and military 'aid' in 1955-65.

The overwhelming part of these American appropriations was ultimately destined for military purposes—to transferring the economies of the West European and other countries receiving them, and primarily their industries, onto preparing for war, not to mention the sums granted to Chiang Kai-shek's regime, which were used wholly for war needs and corruption. The appropriations were employed to give the recipients' economies a direction that not only met the economic needs of the American monopolies, interested in extending markets for their goods, but primarily served the needs of the production of weapons and munitions for the swelling armed forces of the members of the North Atlantic Treaty Organisation and other aggressive blocs.

Attention needs to be drawn to the fact that a continuously mounting part of U.S. 'aid' appropriations was directed in the years concerned to countries and areas located mainly in Asia and the Far East, which had been actively drawn into U.S. military and strategic plans from 1951 onward. In 1956, for example, the United States' military 'aid' totalled \$3,044 million, of which countries in the Middle East and Africa got \$386 million, and countries in Asia and the Pacific \$740 million. Suffice it to say that the relative weight of military grants and subsidies in the total 'aid' that countries in Asia and Africa received increased by 50 per cent between 1951 and 1956, and more than trebled in absolute terms. While 63 per cent of U.S. economic and military 'aid' went to European countries before 1955, their weight fell after that to an average of 12 per cent in 1955-65.<sup>10</sup> In 1956 military 'aid' to countries in Western Europe, which was less than in 1952 or 1953, was still the considerable sum of \$1,583 million, and in 1957 \$1,071 million. So-called economic 'aid' to countries in Europe was \$357 million in 1956 and \$509 million in 1957.<sup>11</sup>

More than half (60 per cent) of the total sum granted in 1945-55 to European countries went to Great Britain, France, and West Germany; the last-named's war industry had been developed to a considerable extent, as on the eve of World War II, through the golden rain of American appropriations. The appropriations for the biggest countries, including the credits and grants made to Japan to develop its war industry and rebuild its army, constituted more than two-thirds of the total, while the 'aid' itself was predominantly granted in the form of government subsidies, i.e. in a form that most directly corresponded to the aim of promoting war preparations.

According to the official figures of the Foreign Operations Administration, U.S. arms worth \$11.4 billion had been shipped to 35 countries by 30 June 1955 via these grants, including 7,575 planes, 38,400 tanks and combat vehicles, and 1,079 naval vessels, and also a large amount

<sup>10</sup> *Ibid.*, pp 854-855.

<sup>11</sup> See *Survey of Current Business*, 1958, 38, 4:22.



of 'artillery pieces, small arms, machine guns, electronic equipment, and other military supplies'<sup>12</sup>; 70 per cent of this went to Western Europe, 18 per cent to Asia and countries of the Pacific region, and 11 per cent to the Middle East and Africa.<sup>13</sup>

In its booklet *North Atlantic Treaty Organization. Its Development and Significance*, the U.S. State Department communicated that between 1949 and 1957 the USA had 'contributed over \$22 billion worth of equipment and other items' to members of NATO, including guns, tanks, planes, and other weapons.<sup>14</sup>

It is not without interest to note how the State Department described the distribution of roles within the aggressive North Atlantic bloc. Its booklet said:

Iceland, for example, has no national army at all and therefore cannot contribute troops ... but it provides valuable air bases for the common defense. The United States, to use another example, has a gross national product more than double that of the combined total of all the European NATO countries put together and therefore bears a large share of the economic burdens of defense. On the other hand, the U.S. share of manpower requirements is much more moderate.<sup>15</sup>

In concluding the section on the U.S. 'contribution' to NATO the State Department openly declared that

the average citizen of the European NATO countries pays to his government, in taxes of all kinds, a larger percentage of his total earnings than does the average American citizen.<sup>16</sup>

The aggressive character of the aims of American 'aid' is quite frankly expressed in this booklet.

### 2.1. The expansionist character of the Anglo-American Financial Agreement of 6 December 1945

It is necessary, in our view, when characterising the expansionism of American imperialism, to dwell on the Anglo-American Financial Agreement of 6 December 1945,<sup>17</sup> which had a special place in U.S. postwar economic plans. This agreement, concluded after the stopping of Lend-Lease deliveries to Great Britain, was an indication of how U.S. monopolies were exploiting Great Britain's economic difficulties in order to saddle her with loans on dictated terms and to strengthen their international position even further by weakening their war partner.

What were the terms of the agreement?

<sup>12</sup> *President Eisenhower's Report to the Congress on the Mutual Security Program for the Six Months Ended June 30, 1955* (U. S. Govt. Printing Office, Washington, D. C., 1955), p. 1.

<sup>13</sup> *Ibid.*, p. 2.

<sup>14</sup> Department of State. Publication 6467. *North Atlantic Treaty Organization. Its Development and Significance* (U.S. Govt. Printing Office, Washington, D. C., 1957), p. 20.

<sup>15</sup> *Ibid.*, p. 19.

<sup>16</sup> *Ibid.*, p. 22.

<sup>17</sup> The agreement came into force on 15 July 1946.

Britain, we know, had already lost a number of economic positions in Latin America, Canada, the Middle and Far East, and several other regions during the war. She emerged from the war considerably weakened, and her ties with the Dominions loosened. The national liberation movement developing in the colonies (India, Burma, Malaya) undermined British capital's monopoly position in that area of Asia. All that prevented the capitalist class of Great Britain from shifting the burden of the war to a large extent onto the working people of the dependent and colonial nations, and overcoming the economic difficulties facing her after the war at their expense.

Britain herself did not have the dollar resources to pay for American imports, while British exports to the USA could only cover an insignificant part of British indebtedness in the balance of payments to the USA. That was associated with the fact that Britain (1) could not sell many goods that competed with American ones to the United States because of the high American customs duties, and (2) could not rapidly reconstruct her industry, which had been mainly serving war needs during the war.

The United States expressed readiness to grant Great Britain a big long-term loan. The British government, hoping to improve its country's situation and win back positions lost during the war, agreed to take a loan of \$3,750 million. Under the terms of the agreement, Britain could use the loan before 31 December 1951; it was granted at 2 per cent per annum with repayment of the principal and interest over 50 years, starting from 31 December 1951.

The commercial terms of the loan (period of repayment, and rate of interest), however, tell little about the problem in question. The point was not in them, but in several terms that the United States of America imposed at the same time, and in the economic relations that were formed between the two countries after signing of the financial agreement and that greatly upset the calculations of British ruling circles, which had seen a sheet anchor in the American loan.

In accordance with the agreement, Britain's purchases in other countries were made dependent on her purchases in the United States. She could not freely decide the question of importing goods from a country. Article 9 provided that, except in special cases,

if either the Government of the United States or the Government of the United Kingdom imposes or maintains quantitative import restrictions, such restrictions shall be administered on a basis which does not discriminate against imports from the other country in respect of any product.<sup>18</sup>

In practice that provision was directed exclusively against Great Britain in view of the serious state of her finances and her existing chronic unfavourable balance of trade and payments.

The United States thus forced Great Britain to spend the funds granted her to pay for imports of American commodities. As a result Britain was tied to the American market as never before, which was one of the main aims of the loan. Her position was complicated by her not even being free in her choice of goods on the American market. She was

<sup>18</sup> See L. S. Amery. *Op. cit.*, Appendix C, p. 168.



unable to purchase the most important types of equipment for heavy industry, for instance, especially for coal mining, out of this loan or subsequent ones. The greater part of the loan was spent on buying goods imposed by the terms of the agreement that American firms and corporations were interested in marketing.

This kind of 'machinery' for obtaining loans was not, in principle, anything new. The utilisation of 'tied loans' for profitable transactions, Lenin wrote, 'takes the place of competition on the open market'.<sup>19</sup> The British themselves had employed these methods so as to knock out undesirable competitors, the existence of better opportunities (e.g., an extensive network of branch banks in colonies) having put them in a privileged position. The German imperialists, Lenin remarked, envied them.<sup>20</sup> Now Britain herself was in the position of recipient of such a 'tied loan'.

The agreement provided that the United Kingdom had no right to spend funds obtained under the loan to meet her own obligations to third countries or to receive long-term loans from the Dominions on terms more favourable for the creditor than those of this American loan. Article 6 said straight out:

(I) It is understood that any amounts required to discharge obligations of the United Kingdom to third countries outstanding on the effective date of this agreement will be found from resources other than this line of credit.

(II) The Government of the United Kingdom will not arrange any long-term loans from Governments within the British Commonwealth after December 6, 1945, and before the end of 1951, on terms more favourable to the lender than the terms of this line of credit.<sup>21</sup>

That provision of the agreement tied Great Britain hand and foot. It deprived her of the opportunity both to employ the resources of the loan to discharge obligations to the Dominions, which were a tidy sum after the war, or to make agreements with other countries of the British Commonwealth of Nations to get loans on more favourable terms than those of the Anglo-American agreement. This provision of the agreement was most humiliating for Britain.

She was also obliged to settle her sterling balances with countries of the sterling area and other countries (Article 10), and to permit free exchange of sterling for dollars not later than a year after the agreement's coming into force. Article 8, in which the terms relating to the exchange of pounds for dollars were set out, provided for exceptions only in relation

(a) to balances of third countries and their nationals accumulated before this paragraph (ii) becomes effective; or

(b) to restrictions imposed in conformity with the Articles of Agreement of the International Monetary Fund...

(c) to restrictions imposed in connection with measures designed to uncover and dispose of assets of Germany and Japan.<sup>22</sup>

The reference to restrictions imposed by the International Monetary Fund not applying to this agreement did not mean that the United

States had made any kind of concession. Under the Articles of the Fund, which was completely under U.S. control, no restrictions of any kind whatever (on foreign exchange as well) could be introduced or cancelled without its consent. That provision, which had the object of freeing the dollar resources held by some countries, so as to pay for American imports, also struck Britain, because it made it more difficult for her to manoeuvre with her limited resources.

At the same time the British government took on two further obligations:

(1) to ratify the Bretton Woods Agreements on establishing the International Bank for Reconstruction and Development and the International Monetary Fund, this being one of the terms for granting the loan;

(2) to support the American plan for setting up an international trade organisation.

Both these obligations furthered the dependence of the British economy on the United States.

The Bretton Woods Agreements deprived Great Britain of the right to alter the parity of the pound sterling in relation to the dollar without the sanction of the Fund, and in fact without the sanction of the United States. They also gave the USA the opportunity to concentrate bigger and bigger gold reserves in her hands at a previously fixed price profitable to her. That was a blow at the whole British Empire, and not just Great Britain, when one takes into account that certain of the Dominions (above all the Union of South Africa) occupied a leading place in gold mining.

In undertaking to support the American plan for an international trade organisation, the British government gave the USA the chance to infiltrate the countries of the sterling area further. The loan was thus used by American monopolies to force Great Britain to soften the system of Imperial Preference (preferential tariffs) and widen access to sterling area countries for exports of the U.S. monopolies' goods and capital.

The essence of the Imperial Preference system was that British Empire countries either freed certain commodities completely from customs duties on a reciprocal basis, or charged lower duties on them than on those imported from other countries. The system had operated from 1897 when Canada, the first of the Dominions, lowered tariffs on British goods. Subsequently all governments in office in Great Britain strove to consolidate the system. The Lloyd George government defended it during World War I, getting the adoption of a special resolution at the Imperial Conference of 1917, which established

the principle that each part of the Empire, having due regard to the interests of our Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire.<sup>23</sup>

<sup>19</sup> V. I. Lenin. *Imperialism, the Highest Stage of Capitalism* (Progress Publishers, Moscow, 1982), p 62.

<sup>20</sup> *Ibid.*, p 245.

<sup>21</sup> L. S. Amery. *Op. cit.*, p 166.

<sup>22</sup> *Ibid.*, p 168.

<sup>23</sup> See Imperial Preference. *Encyclopaedia Britannica*, Vol. 12 (London, 1947), p 122-B. See also 'Commonwealth Preference'. In Graham Bannock, R. E. Baxter, and Ray Rees. *The Penguin Dictionary of Economics* (Harmondsworth, 1972), pp 73-74.



This system was later defended by the Baldwin Conservative government. It was retained by the MacDonald Labour government and the Chamberlain Conservative government. The Churchill Conservative government stubbornly clung to it during World War II, and so did the subsequent Attlee Labour government. All British governments since have striven to retain it.

The system of Imperial Preference served Britain for a long time as a means of fighting foreign competition, especially from the USA, Germany, and Japan. It played a special role during the economic crisis of 1929-33. It was contrary to most-favoured-nation principle which the United States had advanced for at least half a century against it. And now a first serious blow was struck against this system (which had served for many years as a defensive barrier against foreign competition) by the Anglo-American Financial and Commercial Agreement of 1945.

The terms imposed on Britain by the American monopolies in regard to support of the American plan for foreign trade undermined her position even further. They not only did not promote restoration of her earlier position but, on the contrary, seriously reduced opportunities for effectively resisting U.S. attacks on it.

In addition to these direct disadvantageous obligations imposed on Britain as terms for the loan, the U.S. monopolies did their best to raise the prices on American goods exported to her immediately and steeply. According to the official figures, more than a quarter of the loan (28 per cent) was lost by the British economy through the rise in prices between the middle of 1946 and August 1947. In addition, Britain lost approximately \$240 million in exchanging pounds for dollars.

So, when we take Britain's losses through this raising of price for American goods into account, the losses from exchanging pounds for dollars, and the deductions from the loan in settlement of Lend-Lease, it turns out that she could really only use around half of the loan for her needs. It is therefore not surprising that she had already used up \$3,350 million of the money received by 20 August 1947. The remainder was only \$400 million, and that was temporarily frozen by the U.S. government in response to the British government's stopping, as from 21 August 1947, of free convertibility of the pound for dollars in order to save dollars.

The disadvantageous character of the 1945 loan for Britain naturally evoked criticism of the government's policy from certain circles. The views of the Conservative L. S. Amery present some interest in that respect; the American loan, and its terms, he said, would undermine the United Kingdom's economic position radically in the future and make her economy dependent on the USA. As for Article 9, which obliged her to buy American goods, he wrote:

The conditions attached to the loan within the Financial Agreement itself are in fact conditions aimed at forcing Empire and sterling area countries to buy from the United States and not from us or from each other. They are conditions which are calculated grievously to reduce the value of the loan as a stop-gap to cover our immediately prospective deficit. They are even more calculated to make it impossible for us to attain a balance of payments at all and consequently ever to pay off the loan itself. They are, of course, only a part of the whole system which is to be forced on us by the simultaneous obligations we have

undertaken in connection with Bretton Woods and the American Commercial Proposals.<sup>24</sup>

When speaking of the U.S. policy aimed at undermining the Imperial Preference system, Amery recalled that it was nothing new in Anglo-American relations, that it was much older than the loan agreement, and reflected a firm striving of the United States of America to squeeze Britain out of world markets. In particular he quoted a statement by Sumner Welles, U.S. Under-Secretary of State, made in 1943, that 'the whole history of British Empire Preference is a history of economic aggression'. To parry this charge, Amery wrote:

That the most moderate and liberal economic system in the world should be picked out for such a description may suggest an echo of the well-known protest of the wolf against the lamb's aggression upon his water rights.<sup>25</sup>

Leaving aside his attempt to depict Imperial Preference as 'the most moderate and liberal economic system in the world' (quite understandable in the mouth of a spokesman of British capital, which had used this system primarily as a means of enriching British monopolies), his estimate of the U.S. policy aimed at undermining it had some sense, the more so that it was expressed by a politician who fully supported the political line of the British capitalist class.

It stands to reason that people like Amery criticised the Anglo-American financial agreement from their own standpoint. They understood that the agreement itself, and its disadvantageous terms, made Britain even more dependent on the USA, and not only did not alleviate the serious state of the British economy, but made it even worse. They were prepared to reconcile themselves to the idea that the British Empire could not compete with the United States as a great power, but they appealed to the USA, trying to suggest to her that it was necessary to find opportunities for the two states to rob other countries and nations jointly, so long as the USA did not encroach upon Britain's position.

The following statement of Amery's is typical in this regard:

I rather like the robust buccaneering spirit of modern American economic imperialism. Only I do not see why it should be exercised at the expense of the British Empire. For it is against the British Empire, above all, that this policy is directed. That is why there is this insistence on our abandonment of Empire Preference, the least restrictive of all tariff arrangements in the whole world. That is the reason for the determination to break up the sterling system. The British Empire is the oyster which this loan is to prise open. Each part of it, deprived of the mutual support of Empire Preference, is to be swallowed separately, to become a field for American industrial exploitation, a tributary of American finance, and, in the end, an American dependency.<sup>26</sup>

The plea of Amery and people like him that 'American economic imperialism' should not be exercised at the expense of the British Empire was, of course, a voice crying in the wilderness. The wolf's law of capitalism was displayed in all its fullness in this case, as follows from the very nature of capitalism and its highest stage, imperialism. The expansion of American monopoly capital after World War II was new confirmation of the law of uneven development under imperialism, discov-

<sup>24</sup> L. S. Amery. *Op. cit.*, pp 110-111.

<sup>25</sup> *Ibid.*, p 92.

<sup>26</sup> *Ibid.*, p xi.



ered by Lenin, which has led to an increase in the USA's role in the system of world capitalism, especially at the expense of Great Britain.

That does not mean, of course, that Great Britain could not have improved her position by another policy. Her ruling circles bear the responsibility for having supported the U.S. ruling circles' postwar policy, in particular the disadvantageous agreements she entered into with the USA after the war. She could have improved her economic position by maintaining normal relations with the Soviet Union and other socialist countries. She could also have eased her position by reducing military appropriations and curbing the monopolies' uncontrolled lording of it, and could have taken steps to eliminate inflation and to carry out other economic measures so as to lay the foundation for development of the economy for peaceful purposes rather than in the interests of British Big Business.

That did not, of course, happen. The lion's share of the British budget was swallowed by the military expenditure caused by the arms race. British monopolies' profits were not only not affected, but, on the contrary, rose annually at the expense of the common people, since the course taken by the Labour government that came into office in the middle of 1945 suited the interests of the capitalist class in both the political and economic fields.

As for inflation, as always in such cases, the British capitalists shifted its burden onto the working class and other working sections of the people.

The 1945 agreement was employed by the American monopolies to saddle Britain with a line in international affairs suitable to the United States. It was an indicator of how her vital national interests and the rights of the British people (onto whose shoulders the burden of swelling military expenditure was being laid) were sacrificed to the political, military, and strategic plans of the American and British capitalist classes.

## 2.2. The Marshall Plan and its consequences for the expansion of American capital

The Marshall Plan had a leading role in American postwar 'aid' programmes; it was the first, broadest postwar programme of U.S. economic expansion. The history of its genesis, its real intention, are well known. They were elucidated in the Soviet literature, in particular in A. Leontiev's book that analysed it as a means of U.S. economic expansion, and in a number of other works.<sup>27</sup> That saves us from having to dwell on it in detail. Its main substance was anti-communism and anti-Sovietism, counterposing a military atmosphere suitable to the USA to the peaceful aspirations of the peoples, and subordinating the West European economy to a military situation designed to win new positions for American monopolies.

<sup>27</sup> See A. Leontiev. *Imperializm dollara v Zapadnoi Evrope* (Dollar Imperialism in Western Europe), Gospolitizdat, Moscow, 1949.

Communists made a principled appraisal, in the first place, of the class essence of the Marshall Plan, especially the Communists of the country where the plan originated. The Chairman of the Communist Party USA, W. Z. Foster, wrote:

The Marshall Plan, presented to the world as a project for the rehabilitation of war-torn Europe, is fundamentally designed to arm and mobilize the European capitalist countries for an all-out war against the U.S.S.R. and the People's Democracies of Eastern Europe.<sup>28</sup>

Its underlying economic motive was also obvious. The American economy had grown substantially during the war. In 1939 the value of the gross product was \$86 billion, in 1944 \$135 billion. If we take mean annual industrial production in 1935-9 as 100, the index was 249 in 1943, 211 in August 1945, and 148 in February 1946; at the beginning of 1947 the index rose in expectation of further expansion abroad, but all the same only reached 180. In other words, industrial capacities were only being used 60 per cent, for the good reason that it was difficult for the American monopolies to market their output. That naturally hit their profits, which had already (as noted in Chapter 5) been more than \$50 billion during the war, an enormous sum for the time, especially when we remember that it meant a rate of profit 3.5 times that of the prewar 1939. In 1945 profits reached \$9.9 billion, in 1946 \$12 billion; growth continued in 1947 in spite of the limited purchasing power within the USA. Hence the demand for 'freedom of trade', elimination of 'barriers', etc. The Marshall Plan operated in that sense as a kind of financial pass-key to the doors of national sovereignty and independence.

The demands put forward earlier in the United States for 'freedom of trade' and 'equal opportunities', supplemented by demands for wiping out every kind of defensive barrier against the competition of American goods, were actively cited in defence of the Marshall Plan, which its authors tried to depict as a measure capable of restoring the economies of European countries, 'reviving' the spirit of free competition and enterprise there, and expanding trade relations both between those countries, and between them on the one hand and the United States on the other.

The Marshall Plan, being an expression of U.S. monopoly capital's expansionist drive in the new postwar conditions (when a number of countries had run into serious economic difficulties caused by the war) and of the USA's foreign trade policy, was in fact calculated from the outset to stifle their economies rather than to render them real help, especially those countries that were experiencing a lack of dollars. It was designed to curtail a number of important industries, e.g., motor cars, coal, engineering, textiles, footwear, and to subordinate those countries' economies to the foreign trade needs of the USA.

The following principled appraisal of the Marshall Plan made by that outstanding leader of the communist movement, Maurice Thorez, is very indicative for a description of its effect on Western Europe's economy. Pointing out that American monopolies had caught the French

<sup>28</sup> W. Z. Foster. *Outline Political History of the Americas* (International Publishers, New York, 1951), p. 487.



economy up in 'the net of their Marshall Plan', he described the consequences as 'disastrous', and continued:

Reconstruction is stopped. Production no longer advances. Several sectors of the national economy are even regressing; some have been completely wound up, as is the case with the aircraft industry...

Production of aluminium has fallen, but our bauxite is going again to Germany. The engineering and textile industries are in decline. The leather industry has not reached its prewar production figures.<sup>29</sup>

What has been said about the Marshall Plan does not mean that the countries that received 'aid' under it, or rather the capitalist political forces then in power, did not benefit from it at all. Such an evaluation would be an oversimplification. When the Marshall Plan is approached from the angle of the vested interests of their ruling circles and monopolies, the sops they received under it more than once helped them out of a difficult financial position. But the relief it brought certain countries was always temporary. It not only did not eliminate the causes of these difficulties ('dollar hunger', lack of currency reserves in general, a passive trade balance and balance of payments, etc.), but, on the contrary made them chronic.

Countries which received 'Marshall aid', and which later continued to receive 'aid' in other forms, can be likened to drug addicts who, having got temporary relief, not only cannot break the habit of taking the drug, but, on the contrary, become even more strongly 'hooked' so that it becomes impossible to overcome the addiction.

U.S. ruling circles actually did not conceal that the aim of the Marshall Plan, and of the subsequent 'aid' plans and programmes, was not to improve the recipients' economies, but so to use the credits opened and grants made as to broaden the markets for American goods, shield the USA from the competition of the recipients' corresponding commodities, etc., not to mention the political, military, and strategic gains that the USA got in exchange for it. From the moment it came into operation that was an axiom. But by far not all the politicians of Western Europe were able to free themselves from the illusions and real burden of American 'aid' and take the road of developing normal relations with other countries based on respect for the principles of sovereignty, devotion to the ideals of peace and progress, independence of states, non-interference in internal affairs, equality and mutual benefit.

When speaking of the Marshall Plan we must emphasise that it was intended to play a special role (and in fact did) in imposing an arms race policy on Western Europe. Great significance was attached to the revival of German militarism. On 25 June 1947, i.e. 20 days after the speech of the U.S. Secretary of State, General George Marshall, at Harvard University, in which he set out the general ideas of the 'aid programme', the former Under Secretary, Dean Acheson (later U.S. Secretary of State), had already told a Committee of the House of Representatives that the American government was reviewing the question of reviving Ger-

man production (and in essence German war industry capacity) as the basis of the Marshall Plan.

This idea was quite openly expressed then, as well, by Acheson's assistant Willard Thorp, who was in charge of economic matters at the State Department. Thorp declared that an increase of production was a necessary part of any programme of German revival and that it should, in the view of the U.S. government, provide an opportunity for a vast investment of foreign capital in West Germany.

The line of reviving German militarism ran like a red thread through the speeches of U.S. leaders both then, when the plan was being developed, and when it was the subject of discussion at the Paris Conference of 1947. That explains the decisive, ultimatum character of the USA's demands presented to the European countries by her spokesmen William Clayton (the head of a big cotton firm) and Lewis W. Douglas (the U.S. Ambassador in London), and others. Although the latter formally did not take part in the Conference, they had a big influence on its members from the West European countries, kept it continually under observation either from Paris, or from close by in London. Not everything was pulled off subsequently as the strategists from Washington had contemplated, including their plans as concerns the political role of West Germany, but that was already 'not their fault'.

What has been said does not exhaust the calculations that the authors of the Marshall Plan attached to it. Those taking part in it were to give undertakings, in exchange for American credits, to build American military-strategic bases on their territory, and to increase persecution of the democratic parties and leaders of their countries. The U.S. monopolists were out of their way to strengthen the position of the reactionary circles that had come to power in several West European countries after the war, and to strike a blow at the patriotic and democratic forces that had headed the Resistance against Hitler Germany there, above all the Communist Parties, which had displayed the greatest tenacity in the fight against the Hitlerites in the grim years of the war.

One must consider the dropping of Communists from the governments of France and Italy in May 1947 in direct connection with the Marshall Plan. Their activity was specially blocking the U.S. monopolies' imperialist aims. The French Communist Party, for example, had put forward the slogan of 'a democracy free of trusts'.<sup>30</sup> The Communists of Italy and other countries stood for democratic changes. The character of the changes produced by means of the Marshall Plan is indicated by the following words of Palmiro Togliatti:

Groups of monopolists of American capitalism have intervened and upset the whole process of the development and transformation of an Italian democracy. They have intervened in order to restore the courage of the old ruling groups of the bourgeoisie and have found executors of their will and their plans partly

<sup>30</sup> Maurice Thorez. *Au service du peuple de France*. XI<sup>e</sup> Congrès national du Parti communiste française. Strassbourg, 25-28 juin 1947 (Editions du PCF, Paris, 1947), p. 72.

<sup>29</sup> Maurice Thorez. *La lutte pour l'indépendance nationale et pour la paix*. XXI<sup>e</sup> Congrès national du Parti communiste française. Gennevilliers, 2-6 avril 1950 (Editions du PCF, Paris, 1950), pp. 40-41.



among those groups and men who were the instigators of fascism, and partly among groups of a different but similarly reactionary orientation.<sup>31</sup>

The effect of the Marshall Plan as a form of mass attack by American monopoly capital once more confirmed the profound justice of Lenin's appraisal of bourgeois democracy. In his article 'They Do Not See the Wood for the Trees', for example, he firmly rejected the illusion that

the government is something above classes and above parties, the only trouble being that it is under too strong pressure from the right, so that there is need of stronger pressure from the left ... [and] that the present government is fighting both the Right and the Left, the extremes only, as it builds up true statehood and exercises true democracy.<sup>32</sup>

But, he wrote in *The State and Revolution*, democracy will always 'be influenced by economic development'.<sup>33</sup> The Marshall Plan was a way of promoting economic development in Western Europe suitable to the U.S. monopolies and capitalism in general as a social system, with all the consequences following from that for the character of government, internal set-up, international orientation as a whole, and foreign policy in particular. How often, when analysing the international expansion of U.S. capital, one again and again sees confirmation of Lenin's immortal ideas and conclusions!

The Marshall Plan thus pursued far-reaching political and military-strategic aims, as well as economic ones; it went hand in hand with direct U.S. interference in the internal affairs of other countries. The political and economic dependence on the USA into which the countries receiving credits and loans under it fell also played into the hands of the USA, as experience showed, in the sense that during its operation and that of the later system of loans and credits, she succeeded in restricting the international positions and limiting the independent action of her partner-rivals. That applies in particular to the position of Britain in her Dominions and colonies. The main European participants in the Marshall Plan thus ultimately, however they tried to justify their policy, forwent much more than they received from the US under it.

The granting of American credits and loans under the Marshall Plan meant more and more blows at her partners by the United States of America. Consequently there was a rupture of the multilateral economic ties built up historically among many countries, and a breaking of the links of the USA and her partners with the market of the socialist countries.

Soviet diplomacy, we would stress, was then already warning against the consequences of that kind of irrational activity. The Soviet Union resolutely declared, in connection with the discussion of the Marshall

Plan and the Truman Doctrine proclaimed a little before it, that it took a Leninist stand of recognising the possibility and desirability of co-operation between states with different social systems.<sup>34</sup> Implementation of the American plan would inevitably lead to the European countries proving to be under outside control and deprived of their former economic independent action and national independence to the benefit of certain strong powers'.<sup>35</sup> The Soviet Government noted the difference of principle between co-operation based on democratic principles and a system of relations that was built

on the dominant position of one or more strong powers in relation to other countries, which had fallen into the position of a kind of subordinate state deprived of independence.<sup>36</sup>

Experience confirmed these appraisals. Western Europe has been repeatedly convinced that following in the wake of Washington only brings it economic losses and political harm. Maurice Thorez, for example, said:

The French Government is thus reduced to begging Washington for permission to send French products to the USSR in order to resume a flow of exchanges very valuable for our country.<sup>37</sup>

The Marshall Plan not only did not lead to stabilisation of the capitalist world economy, but exacerbated even more the contradictions between the USA and other capitalist countries, including those outside Europe, in the struggle for markets, spheres of investment, and sources of raw materials in the Middle East, Asia, Africa, and other regions.

That struggle was inevitable because of the nature of the main capitalist powers' relations characterised by the increasingly uneven development of capitalism and the further deepening of its general crisis. Underlying it was a drive to ensure capitalist profits through both savage exploitation of the working class and working farmers of the USA and militarisation of the U.S. economy, and economic exploitation and systematic robbery of nations, especially of the economically underdeveloped countries of Asia, Africa, and Latin America.

The facts about the USA's rendering of 'aid' to Great Britain, France, and other capitalist countries under the Marshall Plan and other American programmes indicate what severe consequences it had for countries whose ruling circles accepted it to the detriment of the vital interests of their own peoples. American 'aid' not only did not alleviate the condition of their peoples, but, on the contrary, worsened it. It entailed intensification of the arms race, an increase in the tax burden, and a rise in prices of consumer goods. Palmiro Togliatti drew attention to that, in particular, at the Sixth Congress of the Italian Communist Party in January 1948. Speaking of the severe consequences of American 'aid' for the working people, he posed a number of questions that many Italians were asking in connection with the operation of the Plan.

If it is true that the grain is a gift, why has the price of bread gone up? If it is true, as the Government writes on the gas bill, that the gas is made from coal

<sup>34</sup> See *Vneshnyaya politika Sovetskogo Soyuza, 1947 g.* (Soviet Foreign Policy, 1947), Part 1, Gospolitizdat, Moscow, 1952, p. 16.

<sup>35</sup> *Ibid.*, Part 2, p. 122.

<sup>36</sup> *Ibid.*, p. 123.

<sup>37</sup> Maurice Thorez. *La lutte pour l'indépendance nationale et pour la paix*, p. 43.

<sup>31</sup> Palmiro Togliatti. *Rapporto al VII congresso del Partito comunista italiano*, 3 aprile 1951. *VII Congresso del Partito comunista italiano. Resoconto* (Edizioni di Cultura sociale, Rome, 1951), p. 23.

<sup>32</sup> V. I. Lenin. *Collected Works*, Vol. 25, Progress Publishers, Moscow, 1977, p. 258.

<sup>33</sup> V. I. Lenin. *The State and Revolution* (Progress Publishers, Moscow, 1981), p. 76.



that has come gratis from the Americans, why has the Government raised the price of gas? Why did it not lower it, since the raw material from which it is made cost nothing? Obviously something is not clear here.<sup>38</sup>

What the 'not clear' meant was demonstrated in that speech of Togliatti's and many other documents. Maurice Thorez made the following comparison:

The 250 billions of the Marshall credit far from compensate for the 600 billions of military expenditure imposed on our country by the Americans.<sup>39</sup>

The temporary 'easing' of the economic situation that the obtaining of American loans sometimes gave Great Britain, France, and certain other West European countries by payment for imports of American goods did not eliminate the difficulties they were experiencing, while their 'dollar hunger' again made itself felt with increasing acuteness, since the American credits and loans did not eliminate the causes that had put many of these countries into economic difficulties after the war. Furthermore, they intensified these difficulties by an anti-popular, militarist political course.

To eliminate these difficulties it was necessary to put their national industries, which had suffered during the war, on their feet, and to increase the productivity of their agriculture, which had been considerably undermined during the war, especially in countries that had been occupied by the Nazis. Finally, and this was the main point, it was necessary to direct these countries' means to development of a peacetime economy, and not to war production, and to establish normal trading relations with the Soviet Union and other socialist countries on a basis that excluded discrimination of any kind.

But that did not come into the calculations of Washington and the American financial-monopoly groups. The American loans, credits, 'gifts', grants, etc., like the loans and credits advanced through the International Bank for Reconstruction and Development and the International Monetary Fund, were invariably accompanied with the imposition of terms that put the economies of the recipients into an even more difficult position. The throttling of industries whose goods competed with American commodities in countries receiving American 'aid', and the pushing of American exports onto them created a position such that they had again to ask for American loans and credits, and to make more and more new political and military concessions to the USA. It could not, of course, have been otherwise when they had been forced to orient their policies on meeting the requirements of the U.S. economy and enriching the American billionaire corporations, and flinging their doors even more wide open to American capital.

While countries receiving American 'aid' were being obliged to buy commodities that had no market in the USA, their own goods, we would add, actually continued to be denied access to the American market by high tariff barriers. Even during the operation of the Marshall Plan, the United States, while forcing participants in the Plan to lower or even abolish customs duties that sheltered their industries from American

competition, did not dream of weakening her own system of tariffs, but rather made it even more rigid.

All that explains why, after receiving repeated loans and credits under the Marshall Plan and the laws on 'mutual security', most of the countries could not overcome their postwar economic difficulties. Furthermore, processes were taking place in the economies of many of them, during the years they were taking American 'aid', that made their economic situation even worse, when it is considered from the angle of the outlook for their development rather than of requirements of a market character basically dictated by the arms race. The foreign trade deficit and unbalanced character of the external payments account, especially in trade relations with the USA, became chronic.

### 2.3. Expansion by means of farm 'surpluses'

In 1954 the U.S. Congress passed the Agricultural Trade Development and Assistance Act (known as Public Law 480). It provided for the sale of 'surpluses' of American farm produce to other countries by the United States in the local currency to a total of \$700 million over a period of three years.

In August 1955 total appropriations for the sale of farm 'surpluses' under Law 480 had risen to \$1.5 billion. In 1956 they increased to \$3 billion, and in August 1957 to \$4 billion.

The proceeds of the sale of farm 'surpluses' were employed by the USA to pay its international obligations and war outlays abroad, and to buy foreign commodities. Some of them were transferred as loans to finance economic measures when they promoted an extension of American exports in one way or another to the countries concerned.

In August 1957 changes were made in U.S. financial policy as regards the granting of loans to foreign countries and private companies under Law 480. The immediate reason was the complaint of American private companies that this Law did not provide for loans in foreign currencies to firms with investments and interests in the countries with which the USA had concluded agreements for the sale of farm 'surpluses'. The governments of these countries usually preferred to lend to local firms, passing over American companies. An end was put to that position on 13 August 1957 when the Congress passed the Cooley Amendment to Law 480, which gave the American policy of marketing farm 'surpluses' a frankly expansionist character. The Law, as amended, provided that loans in foreign currency from the proceeds of sales of farm 'surpluses' could henceforth only be made to American and foreign private firms and not to foreign governments.

American monopolies thus began to get the chance, through the sale of farm produce, not only to get rid of 'surpluses' (they were not in fact surpluses at all, given the existence in the USA of a huge army of needy, unemployed, etc.), but also to make a sizeable income from it in the local currency, which they used to infiltrate the economies of other countries.

<sup>38</sup> *L'Unità*, 6 January 1948.

<sup>39</sup> Maurice Thorez. *Op. cit.*, p. 44.



The loans under the Cooley Amendment were advanced through the Export-Import Bank of the USA, which made them from the foreign currency received from the U.S. government's sale of farm 'surpluses'. The American companies spent the money both to win and consolidate their positions in the country concerned and to advertise American goods there, pushing them on the local market.

It will be obvious from what we have said that American monopoly capital employed the sale of farm 'surpluses' in order to penetrate the economies of other countries more deeply, and to open the doors more widely for expansion of the capital of American private firms, their foreign branches and subsidiaries, and foreign firms controlled by American capitalists.

It was also typical that loans from the proceeds of the sale of 'surpluses' could not be employed under the Cooley Amendment to produce goods intended for export to the USA, or to raise farm produce that might compete with American agricultural commodities.

After August 1957 the USA concluded agreements with dozens of countries for the sale of her farm 'surpluses'. Some of the loans advanced by the Export-Import Bank on the basis of the Cooley Amendment were for terms of six or seven years at 10 per cent per annum.

In spite of the ostensibly humane character of the sales of farm produce, one can distinctly see the main orientation of monopoly capital in this 'aid' programme, as in the others, viz., to guarantee an active effect on the economies, and so on the policies of the countries concerned, through the granting of loans, credits, subsidies, etc.

#### 2.4. 'Aid' as an instrument of neocolonialism

As we have already remarked, the policy of foreign economic expansion pursued by the United States of America in the period after World War II was largely implemented under the banner of rendering economic and technical 'aid' to countries emancipated from the yoke of colonialism. This policy found expression in programmes aimed at their economic, and not just economic, enslavement by U.S. monopoly capital. It included, in particular, 'aid' under Point Four of the Truman Program adopted by Congress, and also U.S. proposals of various kinds made at the United Nations either directly by the USA herself or through countries dependent on her. These concerned many matters of the economic development of these countries: viz., land reform and the condition of the peasantry, the state of industry, foreign trade, the influence of foreign capital in their economies, etc.

There was not a single measure relating to U.S. economic relations with other countries that was not accompanied with noisy ballyhoo as programmes of economic and technical 'aid' for economically underdeveloped countries (they later began to be called developing, young, liberated, etc.). And that, of course, was not by chance.

The main job of all those programmes and proposals was defence of the big American monopolies' interests. The U.S. representatives at the United Nations devoted their efforts to seeing that the decisions of

U.N. bodies could not be employed in any way whatever to damage the monopolies' interests. Furthermore, they constantly tried to get it made impermissible in these decisions to create conditions in economically backward countries that would interfere with the interests of foreign capital, even though such a position was deeply contrary to the aims and principles of the United Nations as regards economic and social co-operation between countries.

All the American 'aid' programmes for developing countries have an inherent aggressive, offensive character, though the forms of neocolonial policy have undergone certain changes.

President Truman's declaration of 20 January 1949, at his inauguration for a second term, is considered to be the starting point in this respect. Point Four of his Programme was closely linked with other measures of state monopoly interference, and envisaged the pursuit of economic and technical expansion in developing countries. It was considered expedient to implement this course in 'co-operation with other nations' (the harbinger of 'collective neocolonialism') and 'based on the concepts of democratic fair-dealing' (in order more easily to justify interference in internal affairs).<sup>40</sup> Importance was attached to developing agriculture and providing guarantees for foreign investors with due allowance for the interests of the developing countries themselves (or rather of business circles of a pro-Western orientation and corrupted elements). Some time later, in the functional description of the 'aid' programme, Dean Acheson pointed out its subordination primarily to American imperialism's military aggressive aims and the tasks of intensifying social expansion in developing countries, the preservation of feudal and semi-feudal vestiges that had outlived their time, or the imposition of tartered-up capitalist forms of public affairs.

The fact that the economic and technical 'aid' granted by the United States to these countries fully corresponded to the expansionist drive of the big American monopolies explains why its total came to many billions of dollars between 1945 and 1955. Around \$40.5 billion of the total U.S. economic 'aid' granted then went to countries outside Europe, mainly in Asia and Latin America.<sup>41</sup> All these funds were allocated with due regard for the situation in one region of the world or another, and in the countries concerned. In 1953, for example, \$266 million were granted as a special appropriation for countries in the Middle East and South-East Asia.<sup>42</sup> Their role was specially stressed, moreover, in connection with the pressure to impose shackling terms on Iran as concerns the oil problem, and also pressure on Pakistan, which was assigned by no means back seat in plans to create aggressive military blocs in those regions.

<sup>40</sup> *Public Papers of the Presidents of the United States. Harry S. Truman. January 1 to December 31, 1949* (U.S. Govt. Printing Office, Washington, D.C., 1964), p. 115.

<sup>41</sup> *Statistical Abstract of the United States, 1979* (U.S. Govt. Printing Office, Washington, D.C., 1979), p. 584.

<sup>42</sup> *Commission on Foreign Economic Policy. Report to the President and the Congress, January 23, 1954* (U.S. Govt. Printing Office, Washington, D.C., 1954), p. 7.



The United States' rendering of economic 'aid' to South Vietnam is a typical example of how the imperialists used the part of that country in which there was a puppet regime that encouraged foreign expansion and strove to employ 'aid' by all means for military-strategic aims. The mercenary regime then ruling in South Vietnam flung the doors wide open to American monopolies. As a result, the 'aid' given to South Vietnam was almost wholly military in character. Even when it did not go to the army, it was wholly earmarked for building facilities of military significance that served the American bases there in one way or another.

According to data published in the foreign press, there were at last 22 air bases in South Vietnam at the end of the 50s, which were, in fact, at the disposal of the American military command. The highways built there, on which a sizeable part of the 'aid' was spent, were designed to serve the air bases, in particular the 32-kilometre motorway connecting former Saigon with Bien-Hoa, which essentially represented a landing strip 100 metres wide; its construction was paid for out of American credits.

The USA and other countries, as we know, had no right under the Geneva Agreements to build military bases on the territory of Vietnam. The building of the above-said motorway represented the creation of a huge landing strip for war planes, especially jets, in evasion of these agreements. Here is another example of evasion of the Geneva Agreements in the practice of American 'aid': in 1957 there was full-scale building of a commercial port in Nosab. When the International Commission for Supervision and Control in Vietnam intended, however, to satisfy itself about the character of its construction, it was refused access to the spot. The commission communicated in its report of 20 February 1957 that it had been informed that it was not possible to inspect this point.

It is also widely known that bridges were built in South Vietnam in such a way that they could be used primarily to supply military bases and to transport military freights. Special attention was paid to the building of bridges on highways on the plateaux, in particular in areas adjoining the Cambodian frontiers. Cambodia, as we know, was experiencing pressure exerted by the aggressive SEATO military grouping in order to force her to renounce her neutral stand in foreign affairs, and South Vietnam was being used as one of the means of this pressure.

U.S. practice in rendering 'aid' to economically less developed countries, and the corresponding decisions of U.N. bodies taken under U.S. pressure, not only did not yield positive results as regards the economic development of these countries and improvement of the well-being of their peoples, but led, on the contrary, to an even greater predominance of American capital in their economies, to a heightening of their dependence on the United States with all the consequences for their peoples stemming from that. This was confirmed by a host of facts about economic position of these countries published in the 50s and 60s by U.N. agencies, though some of the data only described separate as-

pects of their economies, and did not bring out the reasons for their difficult position, caused by long colonial dependence and neocolonialist exploitation which were intensified under the banner of economic and technical 'aid'.

But it is clear even from those facts that these countries were in a particularly hard position, and a state of constant need and poverty, with millions of their people on the verge of starvation and death, in spite of their huge manpower resources and considerable natural wealth, i.e. the presence of the conditions needed for rapid development of their economies. The peoples of many of them lacked opportunities of disposing of their very rich resources and, because of the long domination of foreign capital, could not use them for their own good or carry out progressive social and economic reforms.

Delegates at the Seventh Session of the U.N. General Assembly (1952) may remember the speech of the representative of Chile. Citing the position of his country's economy, which had been deeply penetrated by American capital, and the position of several other countries, he drew attention to the fact that the per capita income in developing countries (with a total population of over 1.5 billion) did not exceed \$200 a year. He justifiably remarked that the poverty of the peoples of those countries was getting even worse and that they were becoming poorer than they had been before. The same idea was expressed by the representative of Bolivia who cited facts at the session about the pillaging of the Bolivian people's wealth by international Big Business, in other words by U.S. monopoly capital, which had penetrated deeply into his country's economy.

The report of the U.N. Secretariat on the world social position, published in 1952, also contained many facts about the hard condition in which the economically underdeveloped countries found themselves. It was clear from it (though it cannot be called objective in many respects) that the proportion of African countries, for example, in world population was almost three times as high as their proportion in total world income.

It was not fortuitous, therefore, that broad social circles were more and more frequently asking why underdeveloped countries were in such a difficult position in spite of their vast natural wealth and manpower, and why their populations lacked the elementary physical means for a human existence in any way fitting. There could be only one answer: the reason lay primarily in their colonial past, and also in their political and economic dependence on the major imperialist powers and their monopolies. When rendering economic, technical, and military 'aid', these powers did not take the interests of the countries to which it was given into account in the least or the interests of their peoples, and tried with all their might to avoid admitting historical responsibility for the economic and social backwardness of whole regions.

Gamal Abdel Nasser, the eminent leader of the national liberation movement, said on 20 December 1953:

The barkers of the so-called Free World ... proclaim to the whole world that they are helping small nations in regard to their self-determination and choice of governmental regime, and encouraging the development of backward



countries. All these phrases are the opium that the 'free world' of the West lulls the vigilance of the enslaved nations with. It does so in order to maintain its domination over them, and to prevent them from starting and developing a struggle for their deliverance. The West regards our countries as markets for its goods. The imperialists shamelessly pillage our possessions and pay us for them with nothing but vague-sounding promises.<sup>43</sup>

The imperialist activity of the United States was cited as an example of the most expansionist kind.

Military 'aid' was sent in increasing amounts to developing countries that least of all needed it. The relative weight of U.S. military grants to countries in Africa and Asia, for example, increased by 50 per cent between 1951 and 1956, while their absolute total more than tripled. In the 1957/8 financial year, military 'aid' to countries in the Far East and Pacific rose by 43 per cent on the preceding year, and came to \$893 million, while this 'aid' to countries in the Middle East, Africa, and South Asia rose from \$393 million to \$627 million, or by 60 per cent.<sup>44</sup>

In 1958/9 U.S. 'aid' appropriations were around \$3.7 billion, of which \$2.2 billion was earmarked for military 'aid', \$800 million for implementing the 'mutual security' programmes of the USA's allies, and \$700 million for economic 'aid'. Total outlays on military 'aid' were thus \$3 billion, or more than 80 per cent of the total.

The so-called economic and technical 'aid' was always closely intertwined with military 'aid'. That was confirmed in his time by President Truman in his economic report to the Congress in January 1951, in which he said that 'there is no water-tight distinction between military assistance and economic assistance'.<sup>45</sup>

The USA kept practically the whole economies of many developing countries under her control by means of these funds, ruthlessly exploiting them, pumping fabulous profits out of them for the kings of Wall Street to the detriment of the vital interests of their peoples. American monopolies robbed their natural resources, e.g., oil, rubber, tin, copper, zinc, manganese and uranium ores, nickel, and other valuable types of natural wealth.

One of the reasons why the overwhelming majority of the population of developing countries was brought to extreme poverty was, as is well known, the existence in them of systems of feudal and semi-feudal landownership and land use. American 'aid' programmes promoted retention of these archaic survivals. Most of the land was concentrated in the hands of big national landowners or foreign proprietors. The peasants, on the contrary, had no land or suffered from having too little. Such was the position in many countries in Asia, several countries in the Middle East, etc. In many of them the greater part of the tilled land belonged to big feudal landowners.

<sup>43</sup> G. A. Nasser. *Speech of 20 December 1953*, Mezhdunarodniye otnosheniya, Moscow, 1979, p 14 (retranslated from the Russian).

<sup>44</sup> *The New York Times*, 20 December 1958.

<sup>45</sup> *Public Papers of the Presidents of the United States. Harry S. Truman. January 1 to December 31, 1951* (U.S. Govt. Printing Office, Washington, D.C., 1965), p 36.

In Chile, for example, two-thirds of the landed proprietors owned roughly 2 per cent of the arable land. In Brazil more than 70 per cent of the tilled land was in the hands of 10 per cent of the landed proprietors; at the same time half of the landed proprietors owned only 3.5 per cent of the tilled land; 10 per cent of the landed proprietors, who had more than 70 per cent of the tilled land, owned farms on the average of 5,250 acres each.

The United Fruit Company (subsequently United Brands) alone owned four million acres of land in Central American countries. The hard material position of the bulk of the rural population was due either to no land at all or a lack of it. The U.N. Economic Commission for Latin America (ECLA) established a fall in the per capita production of food there. In 1953 it declined by roughly 10 per cent compared with prewar.

Huge tracts of land in developing countries have become the property of foreign, primarily American, monopolies. Land in sugar and hemp plantations in the Philippines was bought up by U.S. monopolies. In Namibia, which American capital was increasingly infiltrating, capitalist companies and colonists owned at least 40 per cent of the best land.

American oil monopolies, and fruit and other monopolies, got hold of huge areas of land in Latin America. The facts are widely known and were publicised in the Latin American press and in the speeches of certain Latin American politicians and public figures at that time, who often called for resistance to the dominating influence of American capital and for protection of the national interests of their countries.

Here are some facts. The Creole Petroleum Corporation, a subsidiary of Standard Oil of New Jersey, owned nearly a million hectares of land in Venezuela. It can readily be reckoned how many peasants that land could have fed if it had belonged to its real owners, the people of Venezuela, and not to the foreign moneybags who had been pillaging its national wealth for years.

British and other monopolies tried to keep up with the American ones, but their positions in Latin America had been much weakened by the pressure of their stronger Transatlantic rivals. Nevertheless, Royal Dutch-Shell owned more than 1.4 million hectares in Venezuela.

Similar examples can be cited both for other Latin American countries and for other areas.

American monopolies' invasion of the agriculture of 'overseas' countries, in particular their buying up of vast tracts of land, more and more complicated the already hard lot of the peasantry. The concentration of land in the hands of big landowners and foreign monopolies created a situation of land hunger among the peasants, for millions of whom a plot of land remained an unattainable dream.

When the most of the land was in the hands either of local feudal magnates or of foreign capital, the income from agriculture, which was the main industry of these countries, was appropriated by a small group of entrepreneurs, while the bulk of the population lived in poverty. Constant indebtedness haunted the overwhelming mass of the peasants,



making their position even worse, and putting them into enslaving dependence on landlords, money lenders, and foreign capital.

All that led to the land's being used rapaciously and unproductively. The United Nations Secretariat estimated that only 20.7 per cent of the land was used in Argentina after World War II, 16.7 per cent in Mexico, and 23.8 per cent in Algeria.

The productivity of labour was very low in the agriculture of some of these countries. Farming, especially grain-growing and animal husbandry, remained extensive, and was intended to meet the demand of the capitalist market rather than the pressing needs of the population.

Quite obviously a change had become of paramount importance in the existing state of agrarian relations. But positive results could be got in this field, and in meeting the needs of the medium and small landholders and landless agricultural labourers (i.e. the bulk of the population), only if the necessary distribution of land were made, and the huge tracts that remained unused for various reasons (the backwardness of agrarian relations, the age-old colonial and semi-colonial dependence of these countries on imperialist powers, etc.) were brought into play by the application of modern equipment. American 'aid' maintained these problems rather than contributing to their solution.

Agrarian reforms could have freed the productive forces of many countries in the Orient from the feudal bonds fettering their development and provided the peasants with land. That in turn could have provided the conditions for speeding up their industrialisation, and for developing their own national industry (including heavy industry). Experience has shown that when a democratic land reform is carried out the social structure of the countryside is altered, the number of the poor is reduced, and the peasants are freed from the feudal servitude in which they used to be.

Official U.S. spokesmen and American businessmen often made boastful statements picturing their country as the initiator of land reforms in developing countries, which were actively encouraged by U.S. economic and technical 'aid'. In fact, however, their policy on this matter was calculated not to meet the interests of the peasantry in developing countries, but those of their big landed proprietors and the upper level of their peasantry, and American monopolies. When it was a matter of agrarian transformations that might affect the interests of foreign proprietors, land reform inevitably met with objections from the United States.

The U.N. General Assembly, for example, adopted Resolution No. 1932 (XVIII) in 1963 on measures to encourage land reform, which contained a recommendation to governments to carry out 'effective, democratic ... land reform'.<sup>46</sup> That recommendation was not carried out, however, because of the position of the USA, and no practical steps were taken in general to implement it. The Soviet Union, understandably considering this position abnormal, drew the United Nations'

<sup>46</sup> U. N. General Assembly. *Resolutions Adopted by the General Assembly during Its Eighteenth Session. 17 September-17 December 1963* (United Nations, New York, 1964), p. 26.

attention to it, pointing out that the practical significance of even the inadequate decisions that the U.N. had at times managed to take on this or that issue relating to the position in developing countries, had been brought to nought and remained a dead letter.

U.S. monopolistic circles, of course, have made every effort to keep developing countries as raw material appendages of their economy, and as sales markets, to the detriment of these countries' vital interests. The American monopolists have also striven in every way to subordinate these countries' economies to their aggressive war plans, in particular in order to get strategic raw materials from them (this will be dealt with specially in § 4 of this chapter).

Furthermore, as already mentioned above, the granting of economic and technical 'aid' was employed by U.S. ruling circles to impose terms of a military character. It is no secret that the United States, when concluding agreements of this nature, invariably demanded for herself (and often obtained) the right to build military bases, aerodromes, ports, strategic roads, etc. The recipients' independent economic development was held back in every way, and their foreign trade restricted and put under American control, while the shackling terms of the agreements tied them hand and foot for the future, orienting the development of their economies on meeting the requirements of the USA's militarised economy and the strategic plans of the American brass hats.

The U.S. International Development Advisory Board regarded the economies of developing countries as an essential part of U.S. military preparations and proposed the taking-over of sources of raw materials in them as a form of technical and economic 'aid'. Here, for example, we can cite George T. Ross, industry director of the Technical Cooperation Administration, who pointed out that

more than three-fourths of the scarce raw industrial materials the United States imported must be obtained from underdeveloped countries... [Therefore, he said] economic assistance has to be provided in some countries, particularly for roads, in which the stakes are very great.<sup>47</sup>

Similar recommendations were contained in the report of Gordon Gray, ex-President Truman's special assistant, dated 10 November 1950, and in the resolution of the 38th congress of the USA on trade passed at the end of 1951, and in many other documents. The idea that the creation of conditions for the systematic exploitation of developing countries was the objective of 'aid' runs like a red thread through them. That was obvious, in particular, in regard to India.

In spite of India's attempts to lessen her economic dependence on foreign capital, American in particular, most of her difficult problems remained unsolved. The total of U.S. investments in India was not so small, though not at all comparable with those in the economies of certain Latin American countries and Canada. According to the figures of the U.S. Department of Commerce, confirmed by the Indian press, American private investments in India were at least \$150 million in the 50s and early 60s. According to other figures, they totalled \$250 million. The affiliates of American companies in India were mainly con-

<sup>47</sup> *The New York Times*, 4 May 1952.



nected with the production of tyres, jute articles, chemical products, grinding and polishing materials, and oil refining.

Because of the weakness of the Indian economy, the role that direct foreign investments played in it was much greater than their weight in her economy.

The USA lagged far behind Great Britain in volume of private investment in India, but she strove, and not unsuccessfully, to move into first place. She was helped in this by many of the American administration's measures and in particular by the visit of a special American trade mission to India at the beginning of 1959. After visiting several of the states in the north, the leader of the mission, Knowles, announced the possibility of a considerable increase in investments of American capital in various spheres of production, especially in medium and light engineering. The mission established with satisfaction that there were favourable conditions in India for a growth of American investments and called on American businessmen to employ them boldly to expand trade with India and increase investments there.

The dynamics of U.S. direct investments in India lagged considerably behind that of American 'aid', which rose in particular from 1955 onward. While India had received U.S. grants and loans to a total of \$400 million between 1945 and 1955, American 'aid' was more than \$4.7 billion in the next decade, so that the total of appropriations for India in the first 20 years after the war came to around \$5.2 billion.<sup>48</sup>

Relations with India well illustrated this line of U.S. policy, which was aimed at forcing countries resorting to American economic 'aid' to come back again and again for it. A sure means of achieving this aim in many countries was a direction of 'aid' that did not encourage development of a national heavy industry and consolidation of the countries' economic independence. In granting 'aid' to India the USA openly gambled on developing the private sector there. According to the Indian Ministry of Finance, the American loan received in 1958 was employed as follows: \$33 million out of the total \$100 million went to the private sector (\$15 million to private companies in the mining, textile, sugar, and other industries) and \$18 million for the purchase of steel by the private sector in the USA.

Many people in India have remarked that the obtaining of American 'aid' did not in any way encourage elimination of difficulties, but rather the contrary: it multiplied them. That is why it began to be more and more common in India to make a more sober appraisal of the significance of U.S. 'aid', and to understand that the task of converting India into an economically strong state required that its economy not be dependent on enslaving American financial scraps that distorted it. A conviction also grew that the USSR's assistance to India was really disinterested aid that consolidated her independence. The Soviet Union, of course, is not only not an opponent of aid for developing countries, but, on the contrary, has repeatedly stood up for such aid by industrially

<sup>48</sup> Calculated from *Historical Statistics of the United States. Colonial Times to 1970*, Part 2 (U.S. Govt. Printing Office, Washington, D.C., 1975), pp 873-875.

developed states. It was and is a resolute opponent of the use of aid in the selfish interests of the powers granting it (which also applies to American 'aid').

The agreements on 'aid' concluded by the United States with developing countries indicated that the former was imposing conditions on the latter such as led to ever greater imperialist interference in their internal affairs, in particular in the form of observation and control over the way it was used. Like the granting of loans, the rendering of economic and technical 'aid' went hand in hand with the imposition of numerous American advisers and experts. According to figures published in the American press, there were at least 3,000 such advisers and experts in countries receiving technical 'aid' in the middle of 1954. At the end of 1957 there were nearly 5,000 U.S. specialists in developing countries (according to American figures): 2,066 in the Far East, 4,529 in the Middle East and South Asia, and 883 in Latin America.<sup>49</sup>

The American specialists sent to recipient countries strove to infiltrate all levels of the state machinery and to influence both the drafting and implementing of economic development plans and the country's policy, not to mention intelligence activity (which did not take last place). They imposed obligations on underdeveloped countries to supply them with detailed information about their economies, in some cases controlled their relations with other countries and, in fact, deprived them of the chance to pursue an independent foreign policy.

The American specialists in Liberia, in fact, imposed a new budgetary system on her, were engaged in codifying her laws, and so on. U.S. experts played an active role in the work of the state machinery of the Philippines, Israel, etc.<sup>50</sup>

U.S. experts made aerial surveys and compiled maps of important areas that had little to do with economic development plans, but were needed from the standpoint of possibilities for infiltration by American capital and long-term exploitation of natural resources. That was sometimes followed by the creation of American concessions and of various kinds of subsidiaries controlled by U.S. monopolies. Liberia is again an example. U.S. firms have penetrated quite deeply into her economy. After investigating natural resources and compiling corresponding maps the Goodyear Tire and Rubber Co. got a new plantation to grow rubber. Then the U.S.-controlled Liberia Mining Company and a number of others set up branches there.

Brazil is another example. American capital also penetrated deeply into her economy in that period. United States Steel and Harbison Walker, having made studies in connection with technical 'aid' plans, got permission to exploit manganese mines and an ore-dressing plant.

In Guatemala, along with the American fruit-buying monopoly which has become a symbol in a sense of imperialist robbery and violence against a weak and defenceless country, other American companies

<sup>49</sup> Rockefeller Brothers Fund. *Foreign Economic Policy for the Twentieth Century* (Doubleday & Co., New York, 1958), p 23.

<sup>50</sup> See Jonathan B. Bingham. *Shirt-Sleeve Diplomacy. Point 4 in Action* (The John Day Co., New York, 1954), p 133.



tried to expand the sphere of their exploitation of the country's natural wealth. The specialists from the U.S., who poured into this small country in the guise of financial 'aid' experts of sorts, were employed for this purpose. American advisers recommended suitable conditions for General Tire and Rubber to set up a branch in Guatemala to produce tires and industrial rubber goods.<sup>51</sup>

Our description of the consequences of American 'aid' for economically underdeveloped countries would be far from complete if it did not note another essential aspect of it that apologists for the 'aid' programmes skate over for understandable reasons. Considerable sums from the appropriations for technical 'aid' were spent on auxiliary work of all kinds, consultants' fees, experts' fees, etc., rather than on building the facilities themselves. A large part of such appropriations went to American specialists, and were ultimately received in the United States. Almost every country receiving American 'aid' was well acquainted with the practice, especially those in South-East Asia, where the press often openly published facts about it.

The granting of American loans, credits, and 'aid' of various kinds, and direct American investments in developing countries, went hand in hand as a rule with demands for political, economic, and military privileges, which was quite contrary to the principles of the sovereignty and national independence of states.

For example, Henry Bennett, one-time head of the Technical Cooperation Administration, when characterising Point Four of the Truman Program, called its directives an instrument of American diplomacy. The description was quite frank.

Walter Lippmann, the famous observer of the *New York Herald Tribune*, wrote that Point Four was seen by those it affected as an attempt to prolong the old Western imperialism in a new form.<sup>52</sup> That was also a very interesting admission of what all these 'aid' programmes represented.

At the Chicago National Convention of the Democratic Party in 1952 President Truman quite clearly set out the aims of the 'aid' policy, declaring that it was 'good business for us ... it means more trade, more markets ... and a better supply of raw materials'.<sup>53</sup>

A special committee chaired by Nelson Rockefeller said in its report to the President, in reference to one of the main tasks connected with carrying out the Truman Program (Point Four), that the USA obtained at least 75 per cent of her strategic and short-supply materials from the economically backward countries.

But the frankest expression of the particularly selfish interests pursued by the United States in connection with Point Four was made by Dean Acheson, then Secretary of State, who said the USA was not moved by philanthropy but had her own practical interest in the programme. The point was made crudely, but frankly.

<sup>51</sup> *Congressional Record*, 1957, 103, 124: 10613.

<sup>52</sup> *New York Herald Tribune*, 5 March 1952.

<sup>53</sup> *The New York Times*, 27 July 1952.

One cannot help agreeing with W.O. Douglas, Associate Justice of the U.S. Supreme Court, when he said that

in areas where a few families own all the wealth, Point 4 assistance enriches the owners and does not assist the millions of working people who are living in squalor at starvation level.<sup>54</sup>

In one respect this statement calls for amendment, namely that not only were the owners in the recipient countries 'enriched', but also first and foremost, and primarily, those who gave the 'aid', i.e. the big American billionaire corporations.

It is also worth noting an admission of the magazine *International Markets*. In its February issue of 1952 it reported that developing countries provided the USA with 57 per cent of its imports and took 44 per cent of American exports. They were the source of at least 73 per cent of U.S. imports of strategic materials in short supply, like tungsten, tin, and mica, for which there were no satisfactory domestic substitutes.

The granting of American 'aid' was hedged in, of course, by the conclusion of agreements on its rendering, sometimes even using the name of the United Nations. But that did not alter matters. In connection with the 'aid' agreement signed with India on 5 January 1952, which contained in particular a point that no part of the American money could be spent without the agreement of the U.S. representative, the Indian press pointed out that the 'present' was made not without trammels, although the latter were in the form of nice strings.

American monopolists invariably tried, when concluding such agreements, to impose terms on the developing countries that converted them into a field lorded over by American capital. They assessed their attitude by how far a country's economic development plans were dictated from banking centres in New York, Chicago, San Francisco, etc.

When developing countries displayed a certain firmness and reluctance to submit to the obligations being imposed on them from outside, American monopolies began bawling orders at them, and putting pressure on them. The relations between the United States and the countries receiving American 'aid' provide many examples of crude pressure by the U.S. government. Such pressure was put on countries in Latin America, the Middle East, Asia, the Far East, etc.

One cannot say that those who received American 'aid' liked such U.S. methods. Few of them, however, unfortunately, had sufficient determination to proclaim aloud that the enslaving terms being thrust on them by the United States were unacceptable. Their ruling circles frequently did not pay sufficient attention to the interests of their own countries and accepted such conditions. At the same time the broad public of developing countries began more and more to realise as to where this path led to and what consequences it was fraught with for their national independence and sovereignty.

It is not surprising that the granting of American economic 'aid' began more and more often to misfire. An example is the decision of several Arab countries, in particular Iraq. In 1959 the government of

<sup>54</sup> *New York Herald Tribune*, 20 March 1952.



the Iraqi Republic decided to cancel the operation of three agreements concluded earlier with the USA by the previous, venal government of Nuri as-Said, viz., (1) an agreement on military 'aid' signed in April 1954 by which Iraq undertook a number of dictated obligations, including one to take part in the military blocs that the USA and its Allies had formed in the areas of the Middle East; (2) an agreement on Iraq's use of American equipment of 5 July 1955, which was an addition to the first; (3) an agreement on 'economic assistance' imposed on Iraq in the guise of acceptance of the Eisenhower Doctrine, whose expansionist and aggressive character has already been exposed many times.

The statement of the Ministry of Foreign Affairs of the Iraqi Republic of 2 June 1959 said that the American 'aid' had been granted on terms of Iraq's following American *diktat*, that its acceptance was incompatible with the country's national sovereignty and that it represented gross interference in the internal affairs of Iraq.

The statement noted, further, that the political terms these agreements imposed on Iraq were at variance with the policy the government of the Iraqi Republic had been pursuing as of 14 July 1958, a policy of positive neutrality, which means abstention from rivalry on the international arena and from participation in various blocs. The 'aid' offered by the United States, the statement continued, had as its principal aim the attachment of Iraq to the chariot of Western policy which was in conflict with Iraq's stand on the international scene since it became an independent state fighting for progress and peace throughout the world.

The same statement said that the adoption of the Eisenhower Doctrine signified the support of the West in the cold war, thus creating a great danger to Iraq.

The stand taken by the Iraqi Republic on this issue had wide repercussions, and had a positive effect on other countries, especially Arab ones. Iraq's example undoubtedly encouraged several countries to come more and more to a correct estimate of the nature of American 'aid'.

It is not surprising that, in face of the mounting opposition to the expansionist character of her 'aid', the USA undertook to reorganise it, and began to pay more attention to co-ordinating all the forms of expansion (movement of capital, trade, and other types of relations), albeit within the context of each separate developing country. Along with the introduction of 'regional programming' of 'aid' in 1959, a need arose for a broader revaluation of the forms and methods of granting it. The setback in U.S. industrial growth after the 1957-8 crisis, and the weakening of the USA's positions, especially in face of the mounting competition of Common Market countries, had a certain stimulating role in this respect.

Allowing for the growth of the socialist community's influence on the world stage, U.S. ruling circles paid even more attention to their 'foreign assistance program'. In November 1958, for instance, President Dwight Eisenhower set up a nine-member committee for a 'critical

appraisal' of U.S. expenditure abroad on military and economic 'aid'. What was needed from the committee, he said,

is a forthright evaluation of the extent to which future military assistance can ... advance United States national security and foreign policy interests.<sup>55</sup>

The U.S. government's unflagging attention to the 'foreign assistance program' and its 'critical appraisal' in 1958-9 led to corrections being made in American policy in this field. The reasons for the changes were the increase in economic aid to developing countries from countries of the socialist system, especially from the USSR. In trying to stop the decline in U.S. influence in developing countries, which could not be effected through military 'aid' alone, the U.S. government came to the conclusion that it had to shift the centre of gravity from military to economic 'aid', a change that became particularly manifest in the 1960s.

This line was further strengthened with the coming into office of the Kennedy Administration in 1960 (which has already been written about in the Soviet economic literature).<sup>56</sup> Continuity with earlier programmes was stressed in the foreign aid act of 1961, but at the same time emphasis was placed on aid to the private sector in developing countries, and on the strengthening of its ties with American monopolies. The role of internal sources of development was enhanced; the 'fair dealing' directives of the Truman Program, vague in form but aggressive in practice, had grown in the specific circumstances of the day into Kennedy's 'assistance bargain' programme. The level of the class tasks allotted to 'aid' was raised. In Kennedy's 'time of decision' speech there was a note of acute alarm for the fate of capitalism. The practice of 'aid' was correspondingly amended.

Changes were made in the regional distribution of 'aid'. At the end of the 1950s the weight of developing countries had begun to increase, with a diminution of the share of West European countries from 69 per cent in 1946-52 to 41 per cent in the mid-60s.

It can be said, with full justification, that the American monopolies were forced to make a certain 'revision' of their 'aid' policy in connection with their incapacity to secure its proclaimed ends by the old methods, given the final break-up of the colonial system. The prospect of completely compromising themselves in the eyes of the peoples of developing countries, and the growth of these countries' equal co-operation with the Soviet Union and other socialist countries terrified them. At the same time they consoled themselves with a hope of strengthening their economic influence in developing countries.

The weight of Latin America among developing countries rose especially (from 2 per cent in 1946-8 to 22 per cent in the mid-60s), as a consequence of the 'Peace for Progress Program', and also that of the Middle East and South Asia (6 per cent and 33 per cent respectively). Africa's weight rose from less than 1 per cent to between 6 and 8 per cent.

<sup>55</sup> *The New York Times*, 25 November 1958.

<sup>56</sup> See, for example, V. D. Shchetinin. *Evolutsiya amerikanskogo neokolonializma. Kritika teorii i praktiki neokolonialistskogo 'partnerstva'* (The Evolution of American Neocolonialism. Critique of the Theory and Practice of Neocolonialist 'Partnership'), Mezhdunarodniye Otnosheniya, Moscow, 1972, pp 29-33.



On the whole the geography of 'aid' was such that the relative weight of economic interests and the proportion of 'aid' received seldom coincided (see Table 6.4).

Table 6.4

Geographical Distribution of U.S.  
Economic Interests, 1965  
(\$ billion)

Region	Direct private invest- ments	Ex- ports	Im- ports
Western hemi- sphere	10.8	4.2	4.4
Asia (without Japan)	2.9	3.9	2.4
Africa (with- out RSA)	4.4	0.8	0.7

Source: *Survey of Current Business*, 1966-1967, Vols. 36, 37. Cited from V.D. Shchelinin. *Ekolyutsiya amerikanskogo neokolonializma* (IMO, Moscow, 1972), p. 32.

In contrast to the distribution of economic interests shown in Table 6.4 almost two-thirds of the 'aid' went to Asia and less than a quarter to Latin America. The comparison once more indicates the importance of other interests, especially military and political ones, for U.S. ruling circles.

It was typical, however, that the 'review' of U.S. 'aid' policy in the 60s did not mean a lowering of the proportion of military 'aid' to foreign countries, though the proportion of economic 'aid' in the total increased, which once more indicated that the propaganda spread by official circles in connection with these programmes had nothing in common with the aims and principles of the U.N. Charter. The 'aid' policy pursued not only did not promote development of the young states but, on the contrary, was designed to keep them economically backward, enslaved by American monopoly capital, and to adapt American corporations to the changing conditions in them.

It is indicative that the main recipients of American 'aid' at the end of the period surveyed in this chapter (i.e. to the mid-60s) were Argentina, Brazil, Colombia, Egypt, Guiana, India, Indonesia, Iran, Israel, Mexico, Pakistan, the Philippines, South Korea, South Vietnam, Turkey, and the Taiwan regime. The level of its concentration rose considerably—more than three-quarters went to eight countries.

Table 6.5

U.S. Direct Foreign Investments  
in 1936, 1950, 1953  
(\$ million)

Area	1936	1950	1953
Total	6,690	11,778	16,253
Latin American republics	2,803	4,577	5,774
European dependencies	170	420	593
Other colonies and dependent countries	323	1,420	1,635
Colonies and dependent countries, total	3,296	6,417	8,002
as a percentage of total	49.3	52.2	49.2

Source: *Survey of Current Business*, 1952, 32, 12: 8; *Idem*, 1954, 34, 11: 11; *Idem*, 1981, 61, 2: 50.

Countries of various orientations were among the main recipients of this 'aid'. That should not be taken, however, as a sign of U.S. 'tolerance' in regard to different political courses, but rather that the USA was striving, with her reconstruction of her system of giving 'aid', to find direct or indirect allies in the most varied countries who could be useful within the context of the social and economic expansion being carried out by U.S. monopolies.

A new characteristic feature of the sectoral distribution of economic 'aid' was an increase in attention to agriculture, systems of general education and training of personnel, and so-called family planning (i.e. birth control, which was said to be more important than the carrying out of social and economic reforms).

The mouthpieces of the U.S. monopolies' expansionist policy—bourgeois economists and historians, not to mention official American circles—dealing with 'aid' to developing countries often claim that the backwardness of their economic development is due to the weakness of their private sector and their lack of foreign capital. What have they not done to prove the 'benefits' that the development of capitalist production and the infiltration of American capital into their economies holds out for these countries! All the high-flown publicity of American business was employed to laud the 'good' that dollar imperialism would bring developing countries. By investing capital in their economies American monopolies got hold of important economic levers by which they brought these countries under their control, ruthlessly exploited them, pillaged their mineral resources, and distorted their economic development, adapting it to the needs of the militarised economy of the USA.

The untenability of American plans to subordinate the peoples and countries of Asia, Africa, and Latin America completely to U.S. interests was nevertheless already showing in the first decades after the war. The modernised system of U.S. neocolonialist policy was meant to help developing countries to 'grow' organically into the system of the world capitalist economy as a dependent, oppressed periphery under the decisive control of American capital, but subsequent events (as will be shown in what follows) upset these calculations of the Washington strategists.

### §3. The growth of American capital exports in the first postwar decades

The growth of U.S. monopoly capital's expansionist pretensions, and the government's active support considerably broadened the positions for American foreign investment. In particular, the USA was constantly trying to instil the idea in developing countries of the exceptional benefit of foreign capital.

The figures cited in the American press indicate the steady growth of U.S. direct investments in those countries in the early postwar years (see Table 6.5).



The data in the Table are interesting because they show not only a substantial increase in the grand total of direct American investments in developing countries, but also their steeper growth in the colonies of European powers. That circumstance is evidence that the expansion of U.S. capital in the form of direct investments undermined the positions of the other major capitalist powers in developing countries and colonies, above all of Great Britain, which could not help intensifying the antagonisms between these powers on the one hand and the USA on the other.

When one turns to the dynamics of U.S. direct private investments in the 50s and early 60s, one is struck by the marked fall in the relative weight of developing countries in the geographical spread of American capital's foreign investments, as well as by their considerable growth in absolute terms (see Table 6.6).

Conflicting views have been expressed in the USA on the extent to which the country was really interested in foreign markets and correspondingly in the export of capital.

Table 6.6

Movement of U.S. Direct Private  
Investments, 1936-1965  
(\$ billion)

	1936	1950	1955	1960	1965
All foreign investments	6.7	11.8	19.4	31.9	49.5
in developed capitalist countries	3.2	5.7	10.7	19.3	32.3
in developing countries	3.5	5.7	8.0	11.1	15.2
Developing countries as a percentage of the total	52.2	48.3	41.2	34.8	30.7

Sources: calculated from *Historical Statistics of the United States. Colonial Times to 1970*, Part 2, pp 870-871; *Statistical Abstract of the United States*, 1972, p 767.

A former worker in the American foreign political service, Jacob Kaplan, formulated the nihilistic attitude to the external market common then, as follows:

U.S. ... domestic wealth and welfare are not critically dependent on the outside world. The loss or gain of a market or a source of supply or a change in the terms of trade is marginal in importance to the welfare of the country as a whole.<sup>57</sup>

<sup>57</sup> Jacob J. Kaplan. *The Challenge of Foreign Aid. Policies, Problems, and Possibilities* (Praeger Publishers, New York, 1967), pp 7-8.

These words (as is clear from the Introduction of Kaplan's book) reflected a view that was common among professional politicians who were disturbed by the many miscalculations and fiascos of U.S. 'economic diplomacy'. A similar approach is to be found in several other works.<sup>58</sup>

The mounting opposition to the monopolistic course of U.S. foreign policy that was manifested in public moods within the country played its role, of course. As we remarked in Chapter 1 it was primarily the broad working masses and some of the capitalist class that did not have enough strength to enter the world market independently that had to pay for the monopolies' expansionist policy.

The tone was ultimately set, however, not by such moods but by the advocates of another approach that reflected the interests of the U.S. 'supermonopolies'. 'We are too rich, too powerful, and too important in the life of the world to be able to stand safely aside,' said Eugene V. Rostow, Under Secretary for Political Affairs,<sup>59</sup> calling for a constant intensification of the struggle to extend American positions in the world, even at the expense of 'partner'-rivals, without waiting for 'other times'. The giant monopolies were seriously disquieted by the rapid growth and further foreign political expansion of the EEC countries, and growing competition from Japan and West Germany.

U.S. monopoly capital was straining not only to preserve the rates of investment in the economies of other countries but to increase them. The statement made in October 1957 by the Vice-President, Richard Nixon, later President of the USA, that 'American private investment abroad should be doubled or tripled in the next decade' was typical in this respect.<sup>60</sup> In all fairness we must note here that the United States coped with that task in 13 years; by the end of 1970 (i.e. when President Nixon declared the need, in accordance with his doctrine of diminishing involvement and partnership, to expand and stimulate export of private capital from the USA), the total of American direct foreign investments was more than \$75 billion.

The growth of U.S. foreign investments was accompanied with ever more sweeping demands by the United States on the countries whose economy was being infiltrated by American capital.

These demands extended right up to direct diplomatic interference by the U.S. government when a threat arose to the interests of American investors. The matter of economic conditions also had a big place in them. In 1954 the so-called Randall Commission, which prepared recommendations for the Congress and government, paid special attention to the point that the measures of countries limiting opportunities for American capital, in particular as regards prices, should entail limitations on the investment of capital, since they reduced U.S. business circles' profits from foreign investments.

<sup>58</sup> See Eugene R. Black. *The Diplomacy of Economic Development* (Harvard U.P., Cambridge, Mass., 1960); David Baldwin. *Foreign Aid and American Foreign Policy. A Documentary Analysis* (Praeger Publishers, New York, 1966).

<sup>59</sup> *The Department of State Bulletin*, 1967, 56, 1458: 256.

<sup>60</sup> *The Wall Street Journal*, 18 October 1957.



The Commission wrote:

Countries desiring to attract capital must provide a secure legal status for private capital and enterprise, domestic as well as foreign. United States investors can hardly be expected to venture into countries and fields which local capital and enterprise consider unattractive or insecure. On the other hand, United States investors will venture into areas of political and economic stability which provide fair and equitable treatment and with it an opportunity for reasonable profit and assurance of remitting earnings.<sup>61</sup>

The remark about 'local capital' was clearly thrown in as a blind; the Commission's statement was in fact an ultimatum to countries that were serving as a sphere for the application of American capital.

At the same time the Commission made several recommendations about the domestic legislation of the USA which envisaged concessions for capital invested abroad: viz., 'a reduction in the corporate tax rate by at least 14 percentage points on income from investment abroad'<sup>62</sup> in regions not considered wholly reliable for American capital; repeal of U.S. laws in any way tying down American investors in their operations abroad. In addition, the Commission raised the question of more reliable guarantees by the government against 'the risks of war, revolution, and insurrection',<sup>63</sup> obviously allowing for American monopolies' experience since World War II, in particular in Central and South-Eastern Europe.

The Commission, when surveying the outlook for American investments abroad, and demonstrating in every way the need to promote private investment, frankly declared that such encouragement 'provides additional markets for United States exports'.<sup>64</sup> That confession tore the veil from all the postwar programmes of the foreign expansion of American capital.

The facts cited in Table 6.7 show that priority was given in U.S. postwar economic expansion to investment in the economies of developed Western countries and consolidation of the positions of the leader of the capitalist world. Analysis of the geographic and sectoral distribution of these investments indicates that the main sphere of the application of American private capital was Canada, which the U.S. monopolies regarded as a 'natural extension of the home market'. A not unimportant stimulus for the growing expansion into Canada was also the possibility of exporting the output of Canadian subsidiaries of American corporations to other Commonwealth countries, exploiting the benefits of the system of Imperial Preference. In the period 1950-65 direct U.S. investments in the Canadian economy increased by a factor of more than four, and came to \$15.3 billion (45 per cent in manufacturing industry; 33 per cent in banking, commerce, and insurance, and facilities of the infrastructure; and 22 per cent in the oil industry).

<sup>61</sup> Commission on Foreign Economic Policy. *Report to the President and the Congress, January 23, 1954* (U.S. Govt. Printing Office, Washington, D.C., 1954), p. 17.

<sup>62</sup> *Ibid.*, p. 19.

<sup>63</sup> *Ibid.*, p. 23.

<sup>64</sup> *Ibid.*, p. 25.

The facts about U.S. investment in Western Europe offer special interest. As we see they grew continuously and increased by a factor of eight in the period under review, reaching nearly \$14 billion in 1965. There was a marked increase in American investments in the manufacturing industries of these countries, especially in Belgium, France, Britain, the FRG and Italy. Manufacturing accounted for 54 per cent of all U.S. direct investments in Western Europe in 1965. Around 20 per cent of this was in plants of the chemical and automobile industries, and mechanical engineering.<sup>65</sup> Around a quarter of U.S. direct investments in West European countries in the mid-60s was placed in oil refining, working on supplies from the Middle East and North Africa.

Table 6.7

Sectoral Structure of U.S. Direct Private Investments  
in Developed Capitalist Countries, 1950-1965  
(\$ million)

Areas and Industries	1950	1955	1960	1965
Developed capitalist countries*	5,696	10,686	19,319	32,313
Petroleum	981	2,488	4,926	7,721
Manufacturing	2,984	5,151	9,323	15,939
Other	1,731	3,047	5,070	8,653
Canada	3,579	6,761	11,179	15,319
Petroleum	418	1,381	2,664	3,356
Manufacturing	1,897	3,093	4,827	6,872
Other	1,264	2,287	3,688	5,090
Western Europe	1,733	3,002	6,691	13,985
Petroleum	426	762	1,763	5,090
Manufacturing	932	1,685	3,804	7,606
Other	374	555	1,124	2,951

\* Not counting international investments.

Source: *Survey of Current Business*, 1981, 61, 2: 50-51.

As for the position of U.S. investments by countries, 58 per cent of the total in Europe was concentrated in Great Britain, while 34 per cent fell to the share of six countries (Belgium, France, Italy, Luxemburg, the Netherlands, and West Germany). The proportion was maintained right until the mid-50s. Later, especially after the signing of the Treaty of Rome on the formation of the European Economic Community (EEC) in 1957, Great Britain's share in American investments began to show a decline. The formation of the EEC provided an incentive for American investors to move actively into the economies of the

<sup>65</sup> *The Times*, 23 April 1959.



Six, especially into manufacturing. (1) It was expected that the integration measures within the EEC would encourage economic growth of its members. (2) The opportunity of duty-free trade within the Community instigated American investors to broaden their positions in those countries of Continental Europe, and not in the United Kingdom. And one must add that the market of the Six had still not been adequately 'developed' in the mid-50s, by U.S. monopoly capital.

Table 6.8

Average Annual Rates of Growth of U.S. Direct Investment in West European Manufacturing (per cent)

Period	Total for the region	United Kingdom	EEC (the Six)	Other countries
Before formation of the EEC (1950-58)	13.0	12.2	15.0	8.7
After formation of the EEC				
1958-1963	17.9	15.0	24.1	20.6
1958-1968	16.0	11.8	18.7	25.6

Source: *Survey of Current Business*, 1981, 61, 2: 48.

At the turn to the 60s there was a marked demarcation between the EEC zone and Great Britain and several other countries (especially the members of the European Free Trade Association) in the sphere of U.S. economic interests in Western Europe. That was by no means fortuitous. At the end of the 50s the United States had adopted a course of infiltrating the closed EEC grouping, guided by political, military, and strategic considerations, as well as economic ones. It is not out of place to cite the opinion of the French economists Goux and Landeau here, who claimed that

since the start of the Common Market only 50 per cent of the investments made by American concerns were due to the search for profit and the other 50 per cent for extremely varied motives.<sup>66</sup>

Among the reasons for the postwar reorientation of the flow of American private capital on 'old' industrial countries, it is important to distinguish the structural shifts in the economies of West European countries occurring through the impact of the scientific and technological revolution. The patterns of scientific and technical advance proliferated by the power of the U.S. economy were exploited intensively by American monopolies in their drive to secure leadership in the markets of Western Europe, and in those industries in which the conditions of the scientific and technical revolution brought into being new fields for the profitable placing of capital.

<sup>66</sup> Christian Goux, Jean-François Landeau. *Le péril américain. Le capital américain à l'étranger* (Calmann-Lévy, Paris, 1971) pp 47-48.

At the same time the growth of U.S. direct investment in the industrial capitalist countries was directly linked with the break-up of imperialism's colonial system and the upsurge of the national liberation movement, which were taking place in conditions of a deepening of the general crisis of capitalism.

On the one hand American investors were striving to avoid the risks connected with changes in the domestic political situation in countries where their capital was invested. On the other hand the government of the USA was giving an increasingly important role to private capital in the economic subordination of developing countries. It was constantly calling on American businessmen to root themselves actively in their economies, to set up industrial and commercial enterprises in them, and to make deals with local business circles, opening credits for them to buy industrial equipment.

The fact that views in favour of a government policy of growth in the system of anti-cyclic measures predominated in Washington also had a determinant role. There was the idea, for example, that a policy of industrialising developing countries could, if used rationally, become a new factor in the capitalist cycle that had not existed before, which could intensify industrial growth in the developed capitalist countries. It could also create significant additional demand for output of the heavy industry of developed countries. It is not surprising that the measures in the guise of an extension of 'aid' to foreign countries recommended to the Kennedy Administration by Paul Samuelson were put to the fore in the 'first line of defence' against a crisis by the Washington Administration.

The data in Table 6.9 show that between 1950 and 1965 U.S. direct investments in developing countries rose steadily on the average by 7 per cent per annum and increased by more than 150 per cent during that period. In the early 50s the bulk of these investments (78 per cent) was concentrated in Latin America, while countries in Asia and Africa accounted for a little more than 20 per cent of the investments of American companies in developing countries. At the end of the period Latin America retained its position as the main field of investment of American private capital (72 per cent), but the proportion of Afro-Asian countries in the total of U.S. direct investments in the developing world was already 28 per cent.

That around half of U.S. direct investments (47 per cent) in 1950 fell under the item 'Other' in which American statistics lump together commerce, banking, insurance, transport, etc., also deserves attention. This was particularly clear in Latin America, where 54 per cent of U.S. direct investment was concentrated in those sectors, while petroleum and manufacturing accounted for 28 per cent and 17 per cent respectively. As for the data on Asian and African countries, they graphically display a predominant orientation of American investment in the oil industry (in 1950, 75 per cent of all the direct U.S. investments in them). This orientation was maintained through 1950-65. In 1965 the total of American direct private investments in the oil industry of Afro-Asian countries reached \$2.9 billion (68 per cent of the invest-



Table 6.9

Structure of U.S. Direct Private Investments  
in Developing Countries, 1950-1965  
(\$ million)

Area and Sector	1950	1955	1960	1965
All developing countries	5,736	8,043	11,128	15,176
Petroleum	2,169	2,944	5,033	6,476
Manufacturing	847	1,472	1,727	3,400
Other	2,720	3,627	4,367	5,300
Latin America	4,577	6,242	8,366	10,885
Petroleum	1,303	1,622	3,122	3,546
Manufacturing	781	1,353	1,521	2,944
Other	2,493	3,268	3,723	4,395
Afro-Asian developing countries	1,159	1,802	2,762	4,291
Petroleum	866	1,322	1,912	2,931
Manufacturing	66	119	206	455
Other sectors	228	361	644	905

Note: the figures for the regions do not take into account international investments not given a breakdown by countries.

Source: compiled from *Survey of Current Business*, 1981, 61, 2: 50-51.

ment in them), which more or less fully corresponded to the similar U.S. investments in Latin American countries.

In the period considered there was a certain growth of U.S. investments in the manufacturing industry of developing countries and territories (from \$800 million in 1950 to \$3.4 billion in 1965), the biggest growth occurring at the end of the 50s and in the first half of the 60s. The proportion of American companies' investments in manufacturing in Latin America increased from 17 per cent of all direct U.S. investments in the region to 27 per cent. The main countries in which they were made were Argentina, Brazil, Mexico, and Venezuela. The growth of U.S. investments in manufacturing was lower in Asian and African countries (from 6 per cent to 11 per cent); 90 per cent was concentrated in India, Indonesia, and the Philippines. But starting with the 60s there began to be a gradual increase in the total of U.S. investments in Hong Kong, Singapore, South Korea, and Taiwan.<sup>67</sup>

<sup>67</sup> *Survey of Current Business*, 1981, 61, 2:54.

We can thus state that the sectoral distribution of U.S. direct private investments in developing countries had a clearly expressed colonial structure in the first decades after the war. American corporations' predominant placing of their investments in the mining sector of the economies of developing countries is a true indicator of monopolistic expansion in countries where main sources of raw materials, above all oil, are located, and refutes the myth spread in the USA that her economic ties with developing countries 'bring closer a world economic order in which all nations will be strong partners'.<sup>68</sup> Furthermore, the facts show that U.S. monopolies strengthened the raw material orientation of their investments in developing countries between 1950 and 1965, so that relative weight of the extractive industries (oil and mining) and steel smelting rose from 51 to 57 per cent in the grand total of American investments in them.<sup>69</sup> As for such an economically and strategically important area as the Middle East, 94 per cent of U.S. direct investment there went into the oil industry.

The fact that the change in the terms of 'aid' converted the funds granted to foreign states more and more into 'ordinary', traditional export of capital also promoted a growth of capital exports. Loans were increasingly substituted for subsidies and grants. In the second half of the 1950s loans constituted two-fifths of American economic 'aid' on a bilateral basis, and already three-fifths in the first half of the 60s. An opposite trend was noticed in regard to subsidies: 81 per cent in 1956; 64 per cent in 1960; and 43 per cent in 1965. The proportion of subsidies in 'aid' to countries in the Middle East and South Asia declined especially (77.53 per cent and 27 per cent respectively); it proved to be more stable for East Asia (95 per cent in 1956-60 and 83 to 85 per cent in 1961-5). As for Africa, the weight of subsidies soared in connection with the rapid growth in the number of independent countries and constituted nearly four-fifths, but soon fell steeply.

The terms for paying off loans also altered. After 1954 loans that could be paid off in the local currency ('soft loans') were actively made use of. The 1954 law on mutual security permitted the granting of loans repayable in an inconvertible currency, and the sale of 'surpluses' for the same currency. Then Public Law 480 was adopted (see 2.3 above). The Development Loan Fund created in 1957 granted up to three-quarters of all 'aid' in the form of 'soft loans'. This was a powerful means of American expansion against both the national defence of countries receiving 'aid' and the USA's rivals. Accumulations in the local currency, it is true, sometimes proved difficult to realise in spite of the Cooley Amendment, which permitted the granting of loans from them to private firms operating in the local market.

From the beginning of the 60s the USA began to demand reimbursement of an ever bigger part of 'aid' in dollars, including 'aid' under Public Law 480. The terms for repaying funds received as 'aid' by foreign countries were also tightened.

<sup>68</sup> *Economic Report of the President Transmitted to the Congress, January 1965* (U.S. Govt. Printing Office, Washington, D.C., 1965), p 14.

<sup>69</sup> Calculated from *Survey of Current Business* for the respective years.



The U.S. government attached great importance as well to stimulating such a means of commercial and economic expansion as private export credits. At the same time the operations of the Export-Import Bank of the USA, which played a certain role in developing expansion, above all in developing countries, were extended.

Over the first 20 years after the war the total of the credits opened by the Export-Import Bank was more than \$7.9 billion.<sup>70</sup>

The expansionist character of American 'aid' increased all the time in the 50s and 60s, reflecting the aggressiveness of U.S. state monopoly capitalism, a line that continued subsequently, reaching its apogee in the foreign economic activity of the Reagan Administration.

Thus, if we take U.S. monopolies' operations in the sphere of capital export as a whole, they developed an active offensive in the postwar years (according to the evidence of the American press), in which attention was mainly paid to the export of private American capital. The chief aim of the offensive was to get an ever tighter dollar grip on the economies of those developing countries where American monopoly capital already had a decisive influence and also in countries, where its influence had previously not been very strong. This aim was closely intertwined with the American monopolies' drive to win in competition with the monopolies of the other major capitalist countries, which they had driven back considerably, especially after World War II, but which still played a significant role in the export of capital and international economic affairs in general.

International monopoly capital's penetration of a country, whether industrially developed or developing (including that of American capital), leads to a foreign body developing in its economy that is reluctant to submit to its national laws. While this capital's operations ostensibly lead to growth of the country's industrial production, they in fact jeopardise the economic and political independence of the country that has allowed foreign monopolies to lord it over its economy.

On the other hand, when American monopoly capital is injected into the economies of the highly developed countries of Western Europe, it strives to smash its competitors. It is quite well known that American monopolies, when investing in the economies of other countries, as a rule declared their intention 'to defend the interests' of American private investors abroad, and tried to represent the actions of any state aimed at achieving economic independence as little more than 'robbery'. That is why demands are increased on the U.S. government by the American monopolies that have exported capital abroad to try and create 'a better, favourable climate' abroad for American capital.

In these monopolies' view the main 'problems' said to prevent the creation of such a climate were the following: (1) the right of governments to nationalise foreign property on their territory; (2) their right to promulgate laws that were 'discriminatory' (in the language of American business), though their whole sense was not to permit any

<sup>70</sup> Agency for International Development. *U.S. Overseas Loans, and Grants and Assistance from International Organizations, July 1, 1945-June 30, 1973* (U.S. Govt. Printing Office, Washington, D.C., 1974), p. 6.

industry or source of raw materials, without which it is impossible to develop and consolidate the national economy, to become wholly subordinated to foreign, and especially American capital.

In other words, the USA in essence tells countries that are the objects of dollar expansion that they have no right either to prevent infiltration of their economies by American capital or to put an end to its domination in any sphere of them.

#### **§4. Export of capital as a means of winning new markets and sources of raw materials and energy**

One of the main objectives that U.S. ruling circles have always set themselves, when exporting capital, has been to establish their control over the richest sources of the most important types of raw materials abroad. For that purpose they have widely employed such levers of expansion as the Export-Import Bank of Washington, Lend-Lease, and trade agreements (by which dozens of countries have been obliged to deliver strategic materials to the United States, most of which were intended to build up huge stockpiles for the future).

The drive to grab the main world sources of the most important strategic materials was 'justified' over a long period by references to the limited opportunities of increasing their extraction in the United States itself. Though that was casually mentioned in the USA before World War II, American politicians and business spokesmen used this thesis more and more often during the war, and especially after it, when the annual Budget was being considered that provided for appropriations for armaments and the war industry. They intimidated the American taxpayer in every way, moreover, claiming that the reserves of many raw materials in the United States were exhausted, and that unless steps were taken to stockpile some of them, she would be in a critical position.

The conclusions of the Paley Commission set up by the President in January 1951 are typical in this respect (its job was to draft recommendations on steps that would facilitate overcoming of the lack of raw materials over a long period). The Commission, drawing on the data available in 1951, came to the conclusion that if steps were not taken to increase raw material stockpiles, the USA would be faced with a serious shortage of them in 1975. From that it drew the further conclusion that it was 'necessary' to get possession of sources in other countries. Real problems that acquired a global character in the 70s and 80s were exploited by the monopolies to justify their expansion.

As for the ideas of the inevitability of a shortage of raw materials that acquired wide circulation in capitalist countries, where they were defended by eminent statesmen (including Winston Churchill and the former U.S. Secretary of State Dean Acheson), the British Royal Institute of International Affairs wrote:

The ghost of Malthus reappears almost every decade to warn the world that its population is increasing faster than the supplies of food.<sup>71</sup>

<sup>71</sup> *World Production of Raw Materials* (Royal Institute of International Affairs, London, 1953), p. 1.



In reference to the postwar period, the matter was, in these experts' words, that 'world manufacturing capacity is outstripping the supply of raw materials'.<sup>72</sup> They had, moreover, to recognise the adverse effect of militarisation, and in particular the outbreak of war in Korea in 1950.

The Royal Institute made an important admission that one cannot help agreeing with. The appearance of 'the ghost of Malthus' usually coincides with periods of intensification of the arms race or with direct U.S. aggression in relation to other countries, as happened in 1950.

The advocates of this conception, whose political significance is perfectly obvious, either did not mention, or glossed over the importance of two vital circumstances that tore their arguments to shreds. (1) They kept quiet (for understandable reasons) about the fact that the steep increase in the postwar consumption of certain raw materials, especially in the USA, had been artificially created by the arms race. (2) Technical advances in industry were being accompanied with a perfecting of the means of extracting raw materials and of the character of their use, which has been confirmed many times, incidentally by the example of the USA.

Grabbing of the capitalist world's main sources of raw materials became a most important factor in U.S. foreign policy. The search for means of infiltrating areas rich in strategic materials occupied both the governmental machinery and the big U.S. corporations and companies.

A striking illustration of how far this policy had a predatory, expansionist character is given by the recommendations of the Randall Commission formed in 1953, which included big industrialists and members of Congress. The Commission recommended attracting American private capital much more boldly than before, and on a much broader scale, so as to get possession of sources of strategic materials in other countries, and cited in justification of this imperialist programme of robbery considerations like the cheapness of mining abroad, the desire to conserve U.S. reserves, and so on.<sup>73</sup> Its report said:

The most effective contribution which the United States Government can make to the development of the foreign sources of raw materials in which we and the free nations generally are deficient, is to follow policies favorable toward private investment abroad ... and advocate among nations adherence to principles and practices hospitable to foreign investors.<sup>74</sup>

American imperialism has demonstrated by its operations that it will stop at nothing in its drive to achieve its egoistic, hegemonistic aims.

#### 4.1. American capital's fight for oil

The United States has striven above all to get its hands on the richest oilfields in the Middle East and Latin America, and in several other areas of the world. That trend of expansion was largely determined by

<sup>72</sup> *World Production of Raw Materials*, p. 1.

<sup>73</sup> Commission on Foreign Economic Policy. *Report to the President and the Congress*, January 13, 1954.

<sup>74</sup> *Ibid.*, p. 40.

the role that oil had begun to play in the peace and the war economy. The struggle for sources of petroleum gave fresh impetus to acute imperialist contradictions stemming from the period before World War I.

The main rivals in the fight for oil after World War I were the United States of America and Great Britain. The temporary elimination of Germany as a serious competitor led to a marked sharpening of inter-imperialist rivalry.

The U.S. efforts to grab sources of raw materials abroad were most clearly manifested in American monopoly capital's drive to get possession of the main sources of oil in the capitalist world. The USA had already taken the road of active struggle for them in 1920.

After the defeat of Hitler Germany and militarist Japan in World War II, and their temporary elimination as rivals of the USA and Great Britain, the struggle for markets, sources of raw materials, and spheres of influence between American and British capital continued, with an even greater superiority on the side of the USA than in the 20s and 30s. The United States' seizure of sources of raw materials was accompanied with a further ousting of Great Britain from those areas of the world where British capital used to play the main role. After World War II the winning of sources of raw materials corresponded more than ever before to the military-strategic aims of the USA as the leading power of the aggressive NATO bloc.

The most typical expression of that policy was the U.S. government's direct involvement in the development and carrying out of plans to secure sources of oil abroad. It tried setting up a special governmental agency (the United States Corporation) to co-operate with the oil companies in search for and extraction of petroleum abroad. Although the plan to found this agency was not carried out, since the monopolies wanted to keep the whole business in their own hands, the government's efforts to get possession of sources of oil continued. Official American circles unfailingly encouraged the companies, which were sending thousands of exploration and drilling specialists to countries that had oil reserves, and investing millions of dollars in these operations.

The steep increase in the postwar foreign expansion of U.S. oil companies also had sound economic reasons connected with the structural reorganisation of the consumption of fuel and energy resources in the USA herself that had begun before World War II. The turn toward greater consumption of oil and gas had been predominantly based on the development of national oilfields. But, as was said in justification of foreign expansion,

this selfsufficiency gradually eroded during the postwar period as foreign sources offered petroleum at prices below domestic prices and our [American—A.A.G.] domestic energy production failed to keep pace with our rising energy consumption.<sup>75</sup>

From the turn into the 50s the American economy was more and more orientated on active exploitation of the international resource base, and the main instrument of that exploitation was the oil com-

<sup>75</sup> *International Economic Report of the President Transmitted to the Congress*, February 1974 (U.S. Govt. Printing Office, Washington, D.C., 1974), p. 44.



panies of the USA. Comparison of the mean annual rates of growth of the extraction and consumption of oil and oil products in the USA in the period after World War II (2.1 and 4.1 per cent respectively)<sup>76</sup> is very indicative in this respect.

An idea of the American monopolies' active penetration of the oil industry can be got from the fact that at the beginning of World War II their share in the form of direct investments of capital in the oil industry of other countries alone was already 18 per cent of the total of U.S. direct investments abroad. In 1946 this proportion was already 26 per cent, and at the beginning of 1954 30.2 per cent. Five major American oil companies, moreover, held 98 per cent of all the foreign investment in the oil industry: viz., the Standard Oil Co. of New Jersey, the Gulf Oil Corporation, Texas Oil, the Standard Oil Co. of California, and Socony Vacuum Oil.<sup>77</sup>

Oil's role as one of the most important strategic materials explains the feverish efforts made by American monopolies to get hold of the maximum possible number of the world's oil sources. It is very indicative in that connection that the oil industry is one of the few industries in which American monopolies have not been afraid to invest a vast capital abroad over the whole postwar period.

The organ of the U.S. Department of Commerce *Survey of Current Business*, for instance, published typical data in November 1954 which showed that from 1950 to 1953 alone American private direct investment in the oil industry abroad rose by \$1.5 billion, which was more than a third of the total increase in American monopolies' direct investments in other countries. Of the \$700 million exported by the USA in 1953 as direct investments of the monopolies (excluding re-investments), \$400 million went into the oil industry.<sup>78</sup>

According to the same journal, petroleum accounted for \$3.4 billion out of the total of \$11.8 billion of direct U.S. investments abroad in 1950 (29 per cent). By 1958 the total of direct investments had risen to \$27.4 billion, of which investment in the oil industry was \$9.8 billion (35 per cent). In 1965 U.S. direct foreign investments had reached \$49.8 billion (investments in the oil industry accounting for \$15.3 billion).<sup>79</sup>

The Rockefeller Standard Oil Co. of New Jersey had a leading place among the oil monopolies mentioned above. The other four that had big investments abroad were also linked with one or some of the biggest U.S. financial groups (Morgan, Mellon, etc.).

Standard Oil of New Jersey (which is financed by the Rockefeller-controlled Chase National Bank of New York) owned in the period

<sup>76</sup> *Basic Petroleum Data Book. Petroleum Industry Statistics* (American Petroleum Institute, Washington, D.C., 1975).

<sup>77</sup> U.S. Senate. Special Committee Investigating Petroleum Resources. *American Petroleum Interests in Foreign Countries* (U.S. Govt. Printing Office, Washington, D.C., 1946), pp 178, 369, 420. (In 1966 Socony Vacuum became known as the Mobil Oil Corporation, subsequently the Socony Mobil Oil Corporation, and in 1972 Standard Oil of New Jersey changed its name to Exxon Corporation.)

<sup>78</sup> See *Survey of Current Business*, 1954, 34, 11: 11.

<sup>79</sup> *Survey of Current Business*, 1981, 61, 2: 50-51.

under review numerous oil sources, refineries, pipelines, and commercial distribution outlets in various parts of the world, including the Middle East, Latin America, and Canada. More than a third of its oil was obtained abroad; its subsidiary in Venezuela, the Creole Petroleum Corporation, had concentrated half of the oil produced in that country in its hands. Standard Oil of N.J. also owned 30 per cent of the shares of the Arabian-American Oil Co. (Aramco), operating in Saudi Arabia. It was also a partner in Iraq Petroleum (12 per cent of the shares), which had oil concessions in Iraq.

Before the Irano-British oil conflict in connection with nationalisation of the oil industry in Iran under the Mossadeq Government, Standard Oil had an agreement with the British company to purchase Iranian oil. Jointly with another major American company, Socony Vacuum Oil, it had developed active operations in Indonesia, India, Australia, and African countries.

Standard Oil of California, also controlled by the Rockefellers and linked with the big Continental Illinois National Bank and Trust Company of Chicago, had big investments in Australia and New Zealand, Canada, Europe, Latin America, and the Middle East. In the Arab countries it owned 30 per cent of the shares of Arabian-American Oil, and shares in other companies set up by the major American oil corporations specially to exploit the oil wealth of the Middle East. Another Rockefeller-controlled company, Socony Vacuum Oil, also had a ramified system of commercial outlets abroad. Through its British and other affiliates it controlled many distributing and trading outlets in the Middle East, Latin America, Africa, Japan and other parts of the world, and owned 10 per cent of the shares in Arabian-American Oil. Before the Irano-British conflict a considerable part of the petroleum produced by the Anglo-Iranian Oil Company was marketed through Socony Vacuum.

The Texas Oil Co. (Texaco), controlled jointly by Morgan and Rockefeller interests, had big investment in the oil industry and its trading network in Africa, Asia, Australia, Great Britain and Latin America (including Mexico and Venezuela) and owned 30 per cent of the shares of Aramco, and half of the shares of the Bahrain Petroleum Co., set up by American companies to exploit the oilfields in Bahrain.

Gulf Oil, controlled by the Mellon group, operated in Mexico, the Middle East, and South America. It owned the Kuwait Oil Co., set up to exploit the very rich oilfields of Kuwait, jointly with the Anglo-Iranian Oil Company.

In the USA there were also several rather smaller companies that also had a leading place in the oil industry of several countries, and in many cases held a controlling interest in local companies. They snapped up what had been left by the majors for one reason or another. The latter were often themselves interested in the operations of the small companies, which created an appearance that everything was based on 'free competition' and not on cartel agreements. In fact, almost the whole of the business of raising and refining petroleum and selling oil products in the areas mentioned was directly or indirectly in the



hands of the five major American oil companies and three or four British and Anglo-Dutch companies.

Their huge investments of capital in the oil industry abroad was an economically very profitable undertaking for the U.S. monopolies. According to the official figures, their profits from them were more than \$5.3 billion between 1946 and 1953. In 1953 alone \$1,003 million of the \$2,216 million of profits from American direct investments abroad came from petroleum.<sup>80</sup> In 1956 the figures were \$3.4 billion and \$1.4 billion respectively, and in 1957 \$3,330 million and \$1,623 million.<sup>81</sup>

Even before World War II the revenues of U.S. oil companies from foreign investments were high. During the war, and especially in the period after it, they became even bigger. According to the official figures, they came to 25 per cent or more on the invested capital in the first three or four years after the war. The *Survey of Current Business* published the following official statement by the U.S. Department of Commerce:

Returns for major American direct-investment industries abroad ranged from 2.4 per cent on public utility investments to 25.6 per cent for petroleum. Returns for other industries included 17.6 per cent for manufacturing, 14.7 per cent for distribution ... and 10.6 per cent for mining and smelting.<sup>82</sup> When we take the data for 1959 the position had not substantially changed. The income from direct capital investments was thus:

- 13.4 per cent in manufacturing;
- 11.5 per cent in petroleum;
- 11.0 per cent in mining and smelting.

At the end of the 50s the revenue of the oil industry from direct investments abroad had, as we see, a leading place. It was received by the five American majors, three of which were directly controlled by the Rockefeller group. One, Standard Oil of New Jersey, received (on its own admission) \$234,400,000 of its total net profit in 1948 (\$365,600,000) from its foreign investments. In 1954 the same company obtained \$450 million of its net profits of \$584 million from foreign investments. Its profit from investments in the United States was 11 per cent in 1954, while that from foreign investments was 33 per cent. In 1953 its rate of profit from investments in the USA was a little more than 9 per cent, while that from its capital invested abroad was as much as 28 per cent.<sup>83</sup> This monopoly's rate of profit on capital invested abroad was thus three times as high as on its investments in the USA.

American companies got especially big profits from exploiting the oil wealth of Middle Eastern countries, and continue to do so, and this has been typical of the whole postwar period. *The New York Times*,

<sup>80</sup> *Survey of Current Business*, 1954, 34, 11: 12.

<sup>81</sup> Calculated from *The Magazine of Wall Street*, 1958, 101, 1: 443; *Survey of Current Business*, 1958, 38, 9: 11.

<sup>82</sup> *Survey of Current Business*, 1949, 29, 11: 19.

<sup>83</sup> Calculated from *Moody's Industrial Manual*, 1954 (Moody's Investors Service, London, 1954), p 1942.

for example, reported a statement by J.H. Carmical, a specialist in oil matters, that 'the actual cost of delivering a barrel of oil from the [Saudi] Arabia fields to tidewater on the Persian Gulf is believed to be not more than 45 cents a barrel'.<sup>84</sup> It was sold in Western Europe for \$2.65. Even allowing for the cost of transporting it an income of around \$2 a barrel was obtained, or at least more than \$1.00, which was considered 'normal' profit.

In 1959 the American monopolies got 38 per cent of their total income from foreign investments in the oil industry from the Middle East. The attention paid by the USA to this region and its immense oil reserves is therefore understandable. Certain parts of a State Department policy paper devoted to the Middle Eastern aspect of U.S. oil policy are quite indicative in this respect. The paper said in particular that

Middle East oil is used in the U.S. to supplement domestic supplies. It further exerts deflationary pressure on oil prices to U.S. consumers. Use of Middle East oil conserves Western Hemisphere resources which are vital to the Allied Nations in an emergency. The military draws heavily on Middle East oil for its worldwide requirements. Middle East oil provides commercial American firms and American investors with profitable enterprise, U.S. companies owning approximately 45 per cent of Middle East production... Oil company activities provide the West's broadest contact with the lower levels of Middle East peoples; oil companies are instrumental and can be more instrumental in contributing to the attainment of overall U.S. policy objectives for the area, e.g. economic and political stability, increased standard of living, Western orientation ... etc.<sup>85</sup>

The petroleum lifted by American companies in Arab countries was much cheaper than that lifted in the USA.

The immense reserves of oil in the Middle East, combined with the extremely low pay of the local workers and the terms of the contracts dictated to the countries there, explain the cheapness of producing oil in their territories, and the colossal profits made by the foreign oil monopolies. According to the official figures in the report of the hearings of the U.S. Senate Special Committee Investigating Petroleum Resources, a dollar invested in the oil industry in the Middle East in the 30s and 40s produced  $3\frac{1}{2}$  times as much oil as a dollar invested in the oil industry in the Caribbean.<sup>86</sup>

The cheapness of Arab oil enabled the American monopolies freely to cover the whole cost of delivering oil to the USA, not to mention delivery to Europe, and to make huge profits at the same time. It also enabled them to dictate the prices of oil on the world market whenever they were not agreed between the American and West European companies through the cartel agreements to which both often resorted.

The main consumers of Arab oil, and of all the oil produced in capitalist countries, were the United States of America and the countries

<sup>84</sup> *The New York Times*, 4 January 1949.

<sup>85</sup> State Department Policy Paper of September 10, 1950. *Middle East Oil*. Cited from U.S. Senate Foreign Relations Committee. *Multinational Corporations and United States Foreign Policy*, Part 7 (U.S. Govt. Printing Office, Washington, D.C., 1974), pp 122, 125.

<sup>86</sup> See *American Petroleum Interests in Foreign Countries*, p 169.



of Western Europe, as is evident from the comparative figures on oil imports in Table 6.10.

Table 6.10

**Oil Imports by Capitalist and Developing Countries**  
(million tonnes)

Area and country	1937	1955	1960	1965
Total	47.8	238.0	368.1	665.7
Western Europe	10.9	99.4	168.0	340.3
Italy	0.9	16.9	28.8	68.4
United Kingdom	2.2	28.5	45.0	67.6
West Germany	—	7.1	23.3	60.4
France	6.1	24.8	31.0	60.0
Netherlands	0.5	11.6	16.5	38.7
Belgium	0.3	4.7	6.9	15.6
Spain	—	2.1	4.0	8.2
Sweden	0.8	2.1	2.6	3.8
Portugal	—	0.9	...	1.8
Middle East and Africa	0.2	15.2	21.0	44.2
Asia, Australia, Oceania	4.8	19.3	48.4	117.3
Japan	3.9	7.9	27.1	72.5
Australia	0.3	3.8	11.6	15.8
India	—	3.3	5.0	0.9
North America	10.6	52.0	68.2	81.7
USA	4.3	38.9	50.4	61.9
Canada	6.2	12.6	17.3	19.8
Central and South America	1.8	12.0	62.5	16.4
Brazil	0.1	3.5	5.8	10.4
Argentina	0.6	4.0	3.3	3.6
Uruguay	—	0.9	1.3	1.5
Chile	0.7	0.3	0.4	0.7

Sources: *BIKI*, 1959, Supplement 7, p 27; *Idem*, 1964, Supplement 2, p 30; U.S. Dept. of the Interior, *International Petroleum Annual*, 1965 (U.S. Dept. of the Interior, Bureau of Mines, Washington, D.C. 1967), pp 5, 6.

The arms race and the vast profits of the monopolies from exploiting Middle Eastern sources of petroleum explain the hectic activity developed by the major American companies in the Middle East with the active encouragement of the U.S. government. Thousands of American experts, engineers, and technicians were sent to the Middle East in search of new oilfields. In all the countries where American capital was most firmly entrenched in the oil industry, in particular in Saudi

Arabia, measures were taken to increase the production of oil and extend exploration, and to lay pipelines.

Diplomatic means of pressure on these countries were, as before, one of the methods resorted to in those years by the USA to get the oil wealth of other countries under its control. They were employed, moreover, in relation both to developing countries and to other states that had succeeded in penetrating these countries' economies earlier than the USA, i.e. in regard to Great Britain and the Netherlands.

Even before World War II the U.S. government had not been shy of employing diplomatic means in open defence of the interests of monopolies that had fixed their eyes on foreign sources of oil. In the main they consisted in the following: (1) defence of the U.S. oil monopolies against 'discrimination' compared with British and Dutch oil companies; (2) defending the 'open door' and 'equal opportunity' principle for all foreign companies as regards contracts to produce oil in a country and sell it; (3) defending the principle of 'adequate compensation' for American oil companies for their property in cases of expropriation; and (4) direct diplomatic pressure on the governments concerned.

These forms, in which diplomatic pressure was put on other countries to defend the interests of U.S. oil companies, were employed in other countries whose oil industry was being penetrated by American capital, as well as in the Middle East. But the rich petroleum reserves of Middle Eastern countries and the drive of American capital to squeeze their British and Dutch competitors more and more out of the area gave rise to a special activity of American diplomacy in precisely that region. The USA resorted to diplomatic intervention, of course, to defend the interests, too, of other monopolies taking the road of expansion, and not just of the oil companies. But when it was a matter of defending the interests of the latter, U.S. diplomacy resorted to particularly crude tricks, mainly because of their enormous influence on U.S. foreign policy, on the government machinery, and on the Congress, in which they always had their advocates, above all from states like California, New York, Oklahoma, and Texas. Clear confirmation of the reality of this government support was, for example, the letter sent by the President's special assistant, Robert Cutler, in 1953 to the Secretary of State, John Foster Dulles, in which he said, in particular:

It will be assumed that the enforcement of the antitrust legislation of the United States against the Western oil companies operating in the Near East may be deemed secondary to the national security interest to be served by:

- 1) Assuring the continued availability to the free world [so he terms the capitalist world—A.A.G.] of the sources of petroleum in the Near East, and
- 2) Assuring continued friendly relationships between the oil-producing nations of the Near East and the nations of the free world.<sup>87</sup>

We could cite a number of cases when the United States of America employed every means of pressure so as to get its way through direct restriction of the interests of the British and Dutch partners in pillaging the oil wealth of developing countries. One such case concerned the

<sup>87</sup> *Multinational Corporations and United States Foreign Policy*, Part 7, pp 108-109.



involvement of American oil companies in exploitation of the oil wealth of Iraq (the Mesopotamian oil sources), which was a British mandated territory after World War I.

At the San Remo Conference (1920) Britain and France concluded an agreement by which all the petroleum produced in that region should be shared fifty-fifty, and that any private company that might operate there should be under constant British control. The U.S. government had already protested to the British government in 1920, accusing it of adopting measures aimed directly at limiting the operations of American companies by banning foreigners from acquiring ownership of oil sources or taking part in the production of oil not only in British colonies but also in mandated countries. It referred to the fact, moreover, that under the terms of the administration of mandated territories the 'open door' principle should apply to them.

The British did not deny that this principle should apply in relation to above-said countries but remarked that the USA, not being a signatory to the Treaty of Versailles or a member of the League of Nations, had no right to take part in development of the economies and exploitation of the natural resources of mandated territories. After negotiations that lasted several years, in the course of which the USA was not nice in its choice of means of political pressure, Britain was forced to back down and 'open the doors' for broad involvement of American capital in exploitation of Iraq's oil wealth. The diplomatic clash between the USA and the United Kingdom in connection with American oil companies' acquiring rights to exploit oil resources on the island of Bahrein and in Kuwait, which were British protectorates, also led to similar results.

A typical example of this kind, too, was the dispute that arose at that time between the USA and the Netherlands, whose government was trying to block American companies' access to the oil industry of Indonesia (then the Dutch East Indies) and not to let them obtain new concessions there. The U.S. government not only made a formal protest to the Dutch government on this matter, but also took steps to restrict the Netherlands' economic interests, such as banning the renting of oil lands in Oklahoma by Roxana Petroleum (a subsidiary of Royal Dutch-Shell). The U.S. government only refrained from this after the Dutch government granted Standard Oil of New Jersey concessions on the island of Sumatra and in other parts of Indonesia.

One could cite more examples of diplomatic pressure. The USA operated along two lines in penetrating ever deeper into the oil industry of the Middle East and bringing the countries there under her influence. (1) American private oil companies acquired more and more new concessions. (2) Where they needed the U.S. government's help, it exerted its influence in every possible way to force these countries to make concessions to American monopolies and meet their demands.

An example is the USA's actions in relation to Saudi Arabia, to which American capital assigned a special place in its plans of economic and political infiltration of the Arab East. The USA, taking advantage of Saudi Arabia's extreme backwardness (economically and politically),

had already taken the road, during World War II, of tying her down with enslaving deals. She adroitly exploited the hostility toward Great Britain that had long since arisen among the Saudi population because of the way she had been exploiting Saudi Arabia's natural wealth for decades, unceremoniously interfering in its internal affairs, and paying little attention to the people's national traditions, let alone of their basic national interests and sovereign right to dispose of their wealth.

The contracts that American oil companies concluded contained formal provisos on non-interference in Saudi Arabia's affairs, but these reservations were only a blind and were mainly intended for the outside world. In fact, the American monopolies not only meddled in her internal affairs but also tried to control her foreign policy.

Evidence of how they strove to penetrate deeply into Saudi Arabia's political life as well as her economic affairs was the fact that numerous advisers and experts from the USA were constantly visiting the country. As for the operations of the Arabian-American Oil Company (Aramco) there, the American economists Mikesell and Chenery admitted that in all of Saudi Arabia's relations with the United States Government the Arabian-American Oil Company has played a major role. Company officials frequently serve as informal advisers to the King and his ministers and perform the function of an unofficial ambassador in Washington, where the company maintains an office.<sup>88</sup>

This character of the relations between the Company and Saudi Arabia, they pointed out, led to abuses. But being advocates of the USA's expansionist foreign policy course, they tried at the same time to justify them, claiming that they were in Saudi Arabia's favour. But what that 'favour' was for her people they passed over in silence. As faithful supporters of U.S. policy Mikesell and Chenery declared that

so long as the foreign oil policy of the United States coincides more or less with that of the oil company, the arrangement may continue to be useful to the United States Government.<sup>89</sup>

Material published more recently in the USA sheds light on the history of the U.S. government's involvement in consolidating the position of American business in Saudi Arabia, in particular as concerns Aramco's transfer in 1950 from paying 'royalties' on a fixed scale for the right to develop Saudi Arabia's resources to sharing its net profits on a 50 : 50 basis, which led to an increase in the Saudi side's revenue from \$39 million in 1949 to \$112 million in 1950. At the same time the payment of 'royalties' began to be treated, from the standpoint of the U.S. Treasury, as an advance on payment of income tax in the company's country of domicile. It is not out of place here to recall the statement made by George McGhee, then U.S. Assistant Secretary of State for Near Eastern, South Asian, and African Affairs, in which he distinctly expressed the political character of the decision. During the hearings of the Senate Foreign Relations Subcommittee on Multinational Corporations, he was asked:

<sup>88</sup> Raymond F. Mikesell and Hollis B. Chenery. *Arabian Oil* (Univ. of North Carolina Press, Chapel Hill, N.C., 1949), p. 81.

<sup>89</sup> *Ibid.*



Upon the recommendation of the National Security Council, the Treasury made the decision to permit Aramco to treat royalties paid to Saudi Arabia as though they were taxes... The effect of the decision was to transfer \$50 million out of the U.S. Treasury and into the Arabian treasury. That was the way it was decided to give Arabia more money and to do it by the tax route. Isn't that correct?<sup>90</sup>

McGhee agreed with that view and said:

The ownership of this oil concession was a valuable asset for our country. Here was the most prospective oil area in the world... To have American companies owning the concession there was a great advantage for our country...

We felt it exceedingly important from the standpoint of the stability of the regimes in the area and the security of the Middle East as a whole and the continued ownership of our oil concessions there and the ability to exploit them, that the government of Saudi Arabia receive an increased oil income.<sup>91</sup>

American penetration of the oil industry of Arab countries was thus characterised, more than before, by direct interference by the U.S. government in their internal affairs, and greater involvement of the state in the overseas operations of American oil companies. Among the measures was the creation, in particular, of the Petroleum Reserves Corporation in 1943, which was given wide powers to produce crude oil overseas, and build oil refineries and pipelines, and other enterprises, mainly in the Middle East. And although these intentions were not realised, the aims behind these steps of the Administration's were not so much commercial as political and military-strategic aims. As it wanted to exploit Arab oil as an instrument of foreign policy, it could not meet the private companies' proposal: to give the Petroleum Reserves Corporation solely the right to the oil in the ground, while keeping the refining facilities and the distribution system in their hands. The real aims pursued by the U.S. government were to get its hands on all the means of lifting, refining, and distributing oil, as is clear from the text of the proposed agreement it published in 1944 in connection with its negotiations with private firms.<sup>92</sup> The Secretary of the Interior, Harold Ickes, who was President of the Petroleum Reserves Corporation, said in his announcement of the agreement that the Corporation would undertake not to sell oil products to the government or citizens of any country if that, in the view of the State Department, did not correspond to the interests of the USA. The announcement said that the Corporation's commercial policy and practice would correspond to the foreign policy of the United States of America.<sup>93</sup>

In the first postwar decade the struggle between the monopolies of the USA and Great Britain for possession of Middle Eastern oil continued to sharpen. The American monopolies squeezed their British rivals more and more tightly. The rate of American capital's infiltration into the region's oil industry increased all the time, and the separate fluctuations in the volume of American investments there did not alter the general trend of the postwar period. Whereas the United States of

<sup>90</sup> Cited from Joe Stork. *Middle East Oil and the Energy Crisis* (Monthly Review Press, New York, 1975), pp 47-48.

<sup>91</sup> *Ibid.*

<sup>92</sup> *Congressional Record*, Senate Proceedings, February 9, 1944, pp 1468 ff. Cited from R.F. Mikesell and H. B. Chenery. *Op. cit.*, p 93.

<sup>93</sup> R.F. Mikesell and H. B. Chenery. *Op. cit.*

America had controlled around 42 per cent of the investment in the Middle Eastern oil industry by 1952, in 1960 it already controlled around 60 per cent of all the private direct investment of capitalist countries in Arab countries.<sup>94</sup>

The growth of the American investment and the cheapness of the production of oil products led to a steep increase in the U.S. share of production in the Middle East and a corresponding fall in the British. Whereas U.S. monopolies had controlled around 15 per cent, and the British and Anglo-Dutch companies around 80 per cent before the war, by the mid-1960s the U.S. share was already around 47 per cent of the oil production of Arab countries.<sup>95</sup>

Deliveries of Arab oil direct to the USA remained at a low level in the 1950s and 1960s, in spite of her growing dependence on imports of foreign oil. The growth of oil production in the Middle East and the active involvement of American companies in the development of the region's oilfields were nevertheless an important factor making for deliveries of imported oil to the American market, since the USA had, and exploited, the opportunity (through the monopolistic system of dividing spheres of influence) to pump cheap oil out of other oil-producing countries. The production of Arab oil and its export to Western Europe and Japan were a kind of guarantee of free U.S. access to cheap oil from other sources. The strategy pursued by the monopolies helps explain the situation in which the market for Middle Eastern oil was orientated for a long time on Western Europe and Japan. The American writer Joe Stork has remarked that in the postwar period, in contrast to the United States, Europe and Japan were almost totally dependent on foreign sources of oil, the bulk of which was controlled by U.S. companies. The predominant source was going to have to be the Middle East since Western Hemisphere production was consumed by the United States.<sup>96</sup>

It will be clear from these facts how deeply American capital had penetrated the Middle Eastern oil industry, and what profits the American monopolies were making through exploitation of its oil resources, and what an exorbitant price the peoples of the Middle Eastern countries were paying for American loans and credits, including those advanced through such institutions as the International Bank for Reconstruction and Development and the International Monetary Fund.

The example of Saudi Arabia is typical in this respect. One of the effective ways of injecting American capital into its economy was postwar Lend-Lease deliveries and other 'aid'. The Lend-Lease deliveries were employed primarily to consolidate the position of the American oil concessions there.

The clash of interests of American capital and of certain other major powers did not in the least promote improvement of the position

<sup>94</sup> See *BIKI*, 24 January 1978.

<sup>95</sup> See *The Petroleum Times*, 1954, 58, 1486: 753. See also George Lenczowski (Ed.). *United States Interests in the Middle East* (American Enterprise Institute for Public Policy Research, Washington, D.C., 1968), pp 127-129.

<sup>96</sup> Joe Stork. *Op. cit.*, p 60.



of Middle Eastern countries, but rather the contrary. It led in the long run to an increase in the flow of foreign capital to them, and consequently also to an increase of exploitation.

The sharpening of competition between the big capitalist countries also found expression in the fact that Japanese capital began to penetrate the Middle Eastern oil industry in the second half of the 1950s. In December 1957 an oil agreement was reached between Japan and Saudi Arabia.

The signing of that agreement caused both American and British businessmen serious concern. A fear was expressed, in particular, that it would be used by both Saudi Arabia and other Middle Eastern countries to obtain better terms for themselves when concluding future agreements with American and British oil companies. There were grounds for such concern because the agreement provided for a sharing of the profits such that up to 57 per cent would be put at the disposal of Saudi Arabia and the rest go to the Japanese company. That condition broke the long established principle of 'equal' sharing of the profits in agreements with the Western powers.

In addition, under the agreement the Japanese party proposed extending the principle of sharing the profits to the revenues obtained by enterprises engaged in transporting and refining the oil, and marketing the products. That meant that the profit per barrel deducted by the Japanese company in favour of Saudi Arabia was greater than the similar rebate by the companies of Western countries with which corresponding agreements had been signed.<sup>97</sup>

American monopoly capital had long striven to infiltrate the oil industry of Iran and bring it under its control. After Iran's nationalisation of the oil industry U.S. monopolies endeavoured to gain what Britain had lost there. For three years Iran was pressured by the USA and Britain, who had set themselves the goal of forcing her to make a retreat and again to grant foreign monopolies the chance to take over the production, refining, and distribution of Iranian oil. Their efforts were aimed, in fact, at reducing the results of nationalisation to nought and getting Iranian oil under the control of American and British monopolies. To that end an actual blockade of Iran was organised that prevented her from marketing oil. Everything was done to worsen her economic position, and she was deprived of revenue from the oil industry.

The USA and Britain succeeded in saddling Iran with a dictated arrangement, as is shown by the 40-year agreement concluded in August 1954, which provided for her actual repeal of nationalisation of her oil industry. The law passed in March 1951 had established Iran's control over her oil, including the assets and installations of the Anglo-Iranian Oil Company, which had had a monopoly of it since the beginning of the century. During the period of its lording it in Iran the Company had made colossal profits, which had amounted in those years to

£100 million or more a year. Iran herself had received an insignificant revenue from all this enterprise, as will be seen from the fact that Anglo-Iranian's income in the last year before nationalisation had exceeded everything it had paid to Iran in the previous 50 years.

All that shows how profitable this enterprise was for foreign capital and how unprofitable for Iran, especially when allowance is made for the fact that the foreign monopolies' lording it in the Iranian oil industry enabled them largely to control her whole economy. The special attention paid to Iran by several states, above all by the USA, was not only due, of course, to economic considerations, but also to political and military-strategic ones.

The character of the compromise forced on Iran is evidence that American monopolies played the main role in the consortium (the Iranian Oil Exploration and Producing Co.) that got its hands on her oil. Of the major companies forming the consortium to produce, refine, and market Iranian oil, five were American (Standard Oil of New Jersey, Standard Oil of California, Socony Vacuum, Texaco, and Gulf Oil). Their share came to 40 per cent of the total. Other members were the Anglo-Iranian Oil Co. (40 per cent), controlled by the British government, and the Anglo-Dutch Company Royal Dutch-Shell. The French Compagnie française des pétroles and the Dutch N.V. de Bataafsche Petroleum Maatschappij were also members. That distribution of shares gave the Americans the advantage in fact, since they controlled the other main sources of oil in the Middle East and could exert decisive pressure on the conditions of production and especially of the marketing of the oil produced in the whole region.

The major U.S. companies thus gained most in the fight for Iranian oil. At the same time, however, it meant that the understanding at Iran's expense did not end the deep antagonisms in the Middle East. Although Britain largely lost the Iranian market after nationalisation of Iranian oil, she nevertheless tried, in fierce competition with the monopolies of Italy, Japan, and West Germany (not to mention the USA), to get back even some of her lost ground. Several British firms concluded contracts with Iran to supply rails and railway equipment, build oil pipelines, etc. Their main aim was by every means to consolidate the British position in Iran.

In those years the capitalist countries were paying more and more attention to the Sahara. As soon as it became known that rich oil-bearing strata had been discovered there, the Sahara became the object of far-reaching calculations not only by France but also by other powers, especially the USA. Proof was the many efforts of the oil companies of several countries to get in on the exploitation of this area's wealth.

Three big oilfields were discovered in Algeria and several large gas-fields. During the first ten years of exploration for oil in the Sahara after 1952 foreign companies invested around 700 billion old francs in the oil industry of Algeria. Roughly half of that came from the French state-owned oil companies, 23 per cent from American, British, and

<sup>97</sup> See Zubayr Mikdashy. *A Financial Analysis of Middle Eastern Oil Concessions: 1901-65* (Praeger Publishers, New York, 1966), p 145.



Dutch companies, 15 per cent from the French Repal company, and 12 per cent from the Compagnie française des pétroles.<sup>98</sup>

The advocates of continuing the war in Algeria did not fail to exploit the discovery of oil in the Sahara in their own political interests. They cowed ordinary Frenchmen with the idea that France would lose the whole Algerian part of the Sahara as a source of oil if Algeria gained her independence. That kind of propaganda yielded fruit. Certain circles strove to use the discovery of Saharan oil as an excuse for continuing and extending the colonial war. At the same time the Algerian National Liberation Front did everything it could to prevent France from carrying out her plans as regards exploitation of Saharan oil, and set up a special committee to take concrete steps to disrupt the French government's plans, including the building and operation of pipelines.

All that gave rise to uncertainty in the operations of the oil companies, but neither the French ones nor those of other countries reduced their operations in the Sahara, but on the contrary increased them. They counted on the production and refining of oil remaining under the control of the major Western oil monopolies whatever happened—whether Algeria remained under French rule or whether she became independent.

Evidence that some of France's plans to exploit Saharan oil were interlocked with the economic and political interests of other Western powers was the fact that the French government itself took steps to draw in U.S. oil companies. The idea was simple: by drawing them into the exploitation of Saharan oil to interest them financially, and to influence U.S. policy on the Algerian question through them in a direction needed by certain circles in France.

In other words, the French monopolists were endeavouring, by drawing American oil companies into the exploitation of Saharan oil, to convert the USA into an active ally in reprisals against the people of Algeria. And their efforts, of course, yielded results. Several American oil companies had already agreed in 1958 to take part in the exploitation of Algerian oil, namely: Cities Service Oil, the Sinclair Oil Corporation, Philips Petroleum, the Newmont Mining Corporation, the Tide Water Associated Oil Co., and the Texas Eastern Transmission Corporation. The U.S. majors were not, of course, in a hurry, but it will be readily understood that this 'heavy artillery' only held back from direct participation for a certain time.

And in fact that position did not last long. The strongest U.S. oil companies soon became directly involved in exploitation of Saharan oil. The biggest—a member of the international oil cartel—Standard Oil of New Jersey—had already begun to operate in the Sahara from the beginning of 1959. In the mid-1960s American companies accounted for one-tenth of the oil produced in Algeria.<sup>99</sup>

The international oil octopus, whose operations were decided by U.S. monopolies, was thus involved from the start in exploitation of

the natural wealth belonging to the Algerian people, all of which shows that the discovery of oilfields in the Sahara considerably complicated the general picture of the struggle for oil among the major imperialist powers. Political contradictions were added to the economic ones among them, in this case in connection with the war in Algeria; any state's attitude to it meant at the same time a demarcation on an international scale between the forces supporting the Algerian people's liberation struggle for national independence and the forces of colonialism trying to suppress the national liberation movement in Algeria.

The initial period in the history of Saharan oil confirms that the phrase 'oil and blood on the sand' in Western literature is a not bad description in general of the nature of Western oil monopolies' policy in regard to oil and grabbing of its sources.

Latin America, above all Venezuela, was an important oil area into which American capital penetrated deeply. According to the official American figures, the proved reserves of oil in Venezuela were 1.4 billion tonnes in 1953, out of a total of 1.6 billion tonnes for all South America.<sup>100</sup>

The production of crude oil in Venezuela was 16 per cent of the capitalist world's total production in 1954. During and after World War II it rose steeply (see Table 6.11).

Table 6.11

Petroleum Production in Venezuela,  
1938-1965

Year	Million tonnes	Year	Million tonnes
1938	27.5	1961	145.9
1948	66.9	1962	158.9
1950	74.9	1963	162.4
1955	107.9	1964	168.6
1960	141.3	1965	171.1

Sources: U.N. Monthly Bulletin of Statistics, 1955, 9, 4: 31; OPEC. Annual Statistical Bulletin, 1975, 6: 20.

Before World War I the U.S. oil monopolies had no concessions to produce and refine Venezuela's petroleum. British oil companies were dominant there, having been able to get hold of its very rich petroleum sources much earlier than their North American rivals. Royal Dutch-Shell was dominant then, encountering almost no obstacles. But between the wars and during World War II, and especially after it, the

<sup>100</sup> U.S. Senate Committee on Interior and Insular Affairs. *Report of the Minerals, Materials, and Fuels Economic Subcommittee on Accessibility of Strategic and Critical Materials to the United States in Time of War and for Our Expanding Economy* (U.S. Govt. Printing Office, Washington, D.C., 1954), p 236.

<sup>98</sup> See *Alzhir. Spravochnik* (Algeria Handbook), Moscow, 1977, p 162.

<sup>99</sup> George Lanczowski (Ed.). *Op. cit.*, p 128.



U.S. monopolies began to squeeze their British competitors out of Venezuela. In the mid-60s they got control of more than 70 per cent of her production. Foreign companies had obtained concessions of 6.3 million hectares, most of which belonged to American companies and American-Venezuelan subsidiaries.

The steep rise in Venezuela's oil production went hand in hand with a marked growth in the investment of foreign capital, above all American, in her oil industry. Whereas U.S. direct private investments in it had been \$990 million in 1950, they had increased to \$2.5 billion in ten years, and to \$2.7 billion in 1965.<sup>101</sup> Investments in the oil industry accounted for more than 70 per cent of the total of U.S. direct investment in Venezuela. Creole Petroleum (a subsidiary of Standard Oil of New Jersey) was then producing 42 per cent of the oil lifted there. The relative weight of the American monopolies' investments was constantly increasing, especially through the import of equipment from the USA for the building of refineries.

Exploitation of Venezuela's oil wealth yielded the U.S. monopolies huge profits. According to reports published at the time in the Venezuelan press, they were more than a third of the total invested capital. Creole Petroleum, for instance, made 36 cents profit on every dollar invested. From every one of its workers employed in Venezuela it squeezed out around \$14,000 a year in profit, while the average year's pay of a worker was only one-eleventh of that. The American companies made \$333 million in 1953, \$428 million in 1960, and \$504 million in 1965.<sup>102</sup>

The U.S. monopolies openly pursued a line of getting control of the oil wealth of other Latin American countries as well. In the first postwar decades they did, in fact, get control of the production and refining of petroleum in Colombia, Peru, and several other countries that had oil reserves adequate for commercial exploitation.

Argentina was assigned an important place in these plans of economic enslavement, but it was not a simple matter because she resisted attempts to impose a shackling agreement on her. But from 1958-9 the tables turned against her. An understanding was reached with the USA on private American investment in the Argentine oil industry (which had been previously closed to it).<sup>103</sup> It provided for bringing in capital from companies like Standard Oil of New Jersey, Pan American Oil (a subsidiary of Standard Oil of Indiana), the Californian Poly, and a group headed by Continental Oil. Investment was envisaged in two forms—direct and loans (the total of the latter being \$100 million). Many public figures and politicians in Argentina justifiably pointed out that the understanding had a fettering character for her and was fraught with serious consequences.

<sup>101</sup> See *Kapitalisticheskiye i razvivayushchiysya strany. Sotsialno-ekonomicheskyy spravochnik* (Capitalist and Developing Countries. Socio-Economic Handbook), Moscow, 1973, p. 260.

<sup>102</sup> *Ibid.*, pp. 262, 264.

<sup>103</sup> *Journal of Commerce*, 5 May 1959.

Unlike the Middle East, where British companies, even though they had lost their former leading position, still had considerable influence, the U.S. monopolies had in fact established complete domination in Latin America. The Esso Standard Oil Company of South America, a trading subsidiary of Standard Oil of New Jersey, dominated the oil markets of such countries as Panama and the Dominican Republic, and also of Puerto Rico and Trinidad.

The dictated dependence of countries like Nicaragua on the USA at that time is well known. It became even greater through the efforts of the venal Somoza regime; and American oil monopolies played no small role in that. Occidental Petroleum got the sole oil concession in Nicaragua in 1959 from the firm Nicaragua Oil and Mineral Development.

U.S. oil monopolies have systematically pillaged Colombia. The newspaper *La Hora*, of 13 December 1958, published figures exposing the character of their operations there. The paper pointed out that American monopolies had blocked refining in Colombia; as a result, 80 per cent of her crude oil was refined outside the country, while she was forced to import oil products for her domestic needs and pay for them in dollars, which in itself did her economy immense harm. Colombia received only 6 per cent of the value of the oil produced. The profits from refining and transporting oil were made on the whole by the American monopolies, all of which led to Colombia's losing, by the most modest estimates, at least \$100 million a year, not counting losses through the export and import of oil and oil products. Typically, too, the U.S. monopolies deliberately held back development of Colombia's oil wealth so that, in the event of exhaustion of their own resources, they could begin to develop Colombian oil.

British companies got their hands on certain petroleum sources in Latin America in the 50s and 60s, especially in Venezuela. They also tried to consolidate themselves on the markets of Argentina, Uruguay, and certain other countries. In 1950 British and Dutch capital jointly controlled roughly 30 per cent of the production of oil in Central and South America but the advantage in the fight was clearly on the side of the U.S. monopolies, which had much greater economic opportunities and levers of political influence at their disposal than the British.

Creole Petroleum operating in Venezuela (owned, as noted above, by Standard Oil of N.J.), made net profits of \$240 million in 1954 alone, of which \$194 million were distributed in dividends.<sup>104</sup> Its net profit was equal to all the payments it made to the government of Venezuela under the agreement. It was also equal to the Company's total wage payments and other outlays. In other words, roughly one-third of the value of the oil lifted went to the Company as net profit; that was according to its official accounts, which often hid the real position.

What serious consequences the U.S. exploitation of Venezuela's oil had for her, and in particular for her working class, is clear from the

<sup>104</sup> Harvey O'Connor. *The Empire of Oil* (Monthly Review Press, New York, 1955), p. 264.



reports that often appear in the economic literature of the United States. Let us note a characteristic statement by the economist Harvey O'Connor. Citing facts about the oil companies' profits, he wrote as follows about the consequences of the dominating influence of American capital for Venezuela:

Before oil, Venezuela fed itself, somehow. Today it produces only half the corn, half the meat, one-third of the green vegetables and grains, and half the milk it consumes. There are fewer cattle on the great *llanos* that sweep down to the Orinoco now than at the time of the Revolution of 1812. The entire economy has been sucked into dependence on petroleum revenues. Non-oil exports 25 years ago were valued at \$20 million; today they still hover around that figure, but not a bean of coffee or cocoa would now leave the country were it not for subsidies. The big landowners enjoy government subsidies, the parasitic consumers' industries live by subsidy and tariff. The entire structure would collapse like a house of cards were these props pulled out.

Prices are as high as the Andes.<sup>105</sup>

Continuing his description, O'Connor wrote that this situation was a matter of wonderment for 90 per cent of the population.

Disease-ridden and hunger-wracked, their lot on their tiny *conucos* on the mountainsides or in the peasants' huts of the *latifundias* is much the same now as before oil was discovered. At least 200,000 have fled the countryside for gilded Caracas where they live under the bridges, along the gullies, or far up the mountainside in ironically named 'ranchos' built of the city's refuse.<sup>106</sup>

U.S. monopolies have penetrated deeper and deeper into the economy of Canada since the war, and have also got their hands on Canadian oil. Tim Buck, "a leading figure in the international communist movement," said, when describing American imperialists' expansion through seizure of control over Canada's rich reserves of strategic materials and other natural resources, that there had been a rapid growth of production of industrial materials since 1948, which had become much faster during the United States' aggression in Korea.<sup>107</sup> Canadian business, having become a partner of the American monopolies, was given a chance to enjoy the profits of the war situation. According to the American press, American monopolies already controlled around 60 per cent of the output of oil in Canada in 1952. U.S. investments in the Canadian oil industry were being systematically increased. It is also indicative that the American monopolies' share in control over Canada's explored oil reserves rose from 37 per cent in 1939 to almost 73 per cent in 1953.

The monopolies' investments in the Canadian oil industry were very profitable. As for the Canadian economy, they meant ever greater subordination to American capital. That comes out particularly clearly when one considers the subordination of the oil industry to American capital in connection with the latter's infiltration of the Canadian economy as a whole.

Striking evidence of that is the fact that U.S. investments had already risen from under \$4 billion at the end of World War II to \$9 billion in 1954 (which was more than four times the amount of

<sup>105</sup> Harvey O'Connor. *Op. cit.*, pp 266-267.

<sup>106</sup> *Ibid.*, p 267.

<sup>107</sup> Tim Buck. Introduction to the Russian edition of *Put Monopoly Under Control* (*Narod Kanady protiv monopolii*, Politizdat, Moscow, 1966, p 4).

British capital), and to \$20 billion in 1965 (which accounted for 80 per cent of the total of foreign investment in Canada).

The Abbott Plan (so-called after the Canadian Minister of Finance), which meant, economically, a transition from comprehensive development of manufacturing, Canada's natural resources, and trade with all countries, to expansion of the production of raw materials needed by the United States, evoked a stormy public reaction in Canada. Abbott, speaking in the House of Commons on 16 December 1947, had argued as follows:

A greater integration of the efforts of the United States and Canada to assist world recovery would add considerably to the capacity of this *continent* to provide urgently needed assistance just as it did during the war. We are making every effort to achieve the needed integration.<sup>108</sup>

Again, on 18 March 1948, Abbott said in the House of Commons:

If we cut down the consumption of refrigerators, and other articles which contain metal, we can sell the metal in its original forms... Instead of using labor in Canada to convert the metal into things our own people consume, we shall sell the raw materials.<sup>109</sup>

Communists and all Canadian patriots stressed that it was clear from the outset that under the Abbott Plan, looked at as a purely economic policy,

Canada will become increasingly dependent upon the United States for capital goods, machinery, and finished manufactured goods and increasingly dependent upon agriculture, industrial raw materials and specialized products (such as newsprint paper) to pay the United States for costly capital goods and manufactures. The inevitable economic and political results of such a relationship would be to undermine the political sovereignty of Canada's people.<sup>110</sup>

It might seem, at first glance, that American capital's active penetration of Canada's oil industry, and of her economy as a whole, was not very closely linked with the fact that she herself had begun to open credits for certain countries, especially Britain, at the end of the 50s and beginning of the 60s. But it must be remembered that even then, when Canada herself was becoming a creditor, the loans and credits she advanced corresponded to the general plan of U.S. ruling circles, which were employing the system of financial relations between the countries dependent on them to pump strategic raw materials in from all areas of the world open to them. The estimate of Canadian Communists was:

The economic base of the Canadian bourgeoisie is not simply dominated by United States-owned monopolies, it is being taken over physically by U.S. state-monopoly capital.<sup>111</sup>

Figures were cited above on how American monopolies were getting their hands on the richest sources of oil in the capitalist world, and on the place they assigned in that of the export of capital, in particular loans and credits, as a means of economic penetration of the countries concerned. Their tentacles, however, also extended to countries that

<sup>108</sup> Cited by Tim Buck in *Lenin and Canada. His Influence on Canadian Political Life* (Progress Books, Toronto, Ont., 1970), p 81 (T.B.'s italics).

<sup>109</sup> *Ibid.*

<sup>110</sup> Tim Buck. *Canada: The Communist Viewpoint* (Progress Books, Toronto, Ont., 1948.) Cited by *Idem* in *Lenin and Canada...*, pp 81-82.

<sup>111</sup> Tim Buck. *Lenin and Canada...*, p 87.



had comparatively small oil reserves. The U.S. monopolies strove to get control of such sources in case new oilfields were discovered there.

It is well known that the USA tried to get the oil of India, Indonesia, Pakistan, and other countries under her control. In some of them there were American concessions obtained for loans and credits, in particular ones from the International Monetary Fund. The oilfields discovered on Java, for instance, immediately attracted the attention of several U.S. companies. As a result, Texaco and Standard Oil of California (through their subsidiary Caltex Pacific Oil) started exploitation of them. In countries of South-East Asia and the Far East that had long since been a sphere of British monopoly influence, there was also a fierce battle between American and British monopolies for control over oil. The American companies also took steps to infiltrate more deeply into Africa.

As a result of the intensified penetration by U.S. oil monopolies in many countries the ratio between the production controlled by American capital, and that controlled by British and Dutch, was altered sharply, which began to be clear in the late 40s and early 50s (see Table 6.12).

At the beginning of 1953, 65.7 per cent of the explored reserves and 55.7 per cent of capitalist countries' production of oil were controlled

Table 6.12

U.S. Share in the Capitalist World's Production  
of Petroleum, 1953  
(per cent)

Region	Proportion of output controlled by			Region's share in the capitalist world's production
	Anglo-Dutch capital	American capital	Other capital	
Capitalist world	16.9	77.5	5.6	100
North America	5.0	93.5	1.5	57.6
USA	5.1	94.7	0.2	55.8
Canada	1.1	59.5	39.4	1.8
Latin America	29.3	56.8	13.9	19.3
Venezuela	29.4	69.1	0.5	15.0
Middle East	32.8	59.2	8.0	19.8
Saudi Arabia	—	100.0	—	6.7
Kuwait	50.0	50.0	—	7.0
South-East Asia	65.9	32.3	1.8	2.7
Indonesia*	49.5	50.5	—	1.6
Western Europe	15.8	20.3	63.9	0.6

\* Including the part of New Guinea controlled by Holland.  
Source: calculated from *The Petroleum Times*, 1954, 58, 1486: 753.

by the oil cartel (consisting of five major American companies, one British, and one Anglo-Dutch). In 1954 the share of the American majors alone was around 45 per cent of the oil produced in the capitalist world (less the USA).<sup>112</sup>

It is not surprising, therefore, that, even according to the official accounts, the net profits of these five major American oil monopolies had reached \$1,389 million in 1954, the bulk of them from foreign capital investments.<sup>113</sup>

#### 4.2. Expansion of American capital in the rubber market

The USA made no few efforts in the years after the war to get control of the world sources of other types of strategic materials, including both natural rubber and various ores (chromium, copper, lead, manganese, nickel, tin, etc.).

The place she assigned to rubber in her plans of foreign economic expansion was determined by the role it played in industry and by its strategic importance. In the late 19th and the early 20th century rubber was used on an incomparably smaller scale than after World War I, primarily because of the development of means of transport, especially motor vehicles. The rapid growth of the automobile industry, and the just as rapid growth of demand for tyres and inner tubes, made production of rubber one of the most important branches of the national economy. Rubber also gained increasing importance as a strategic material. The mechanisation of armies, and rapid development of aviation, converted it into a necessary attribute of many countries' war preparations.

Those reasons explain the rapid growth of the production of rubber; its curve climbed steadily upward. Table 6.13 gives an idea of the growth of production in the early 50s compared with its consumption and the growth of the number of motor vehicles.

The figures in the Table, like any averaged indicators, conceal many essential features of interest when we are analysing the position of various countries. The data on the production, distribution, and sources of rubber show that a persistent, protracted struggle was waged on this market among the monopolies of the main imperialist countries. The biggest monopolies were driving to get control of the production of both natural and synthetic rubber, and of the international rubber trade.

An important aspect of this struggle was that there was a strengthening of the American monopolies' position during it. The USA entered the fight to get hold of sources of natural rubber after other capitalist countries had already got a grip on them (which they had done in the pre-monopoly period, and during the repartition of the world as a result of World War I). The richest sources had fallen to Great Britain (Malaya, Ceylon, British North Borneo) and to Holland (the Dutch East Indies).

<sup>112</sup> *Petroleum Press Service* (London), May 1955, p 172; *U. N. Monthly Bulletin of Statistics*, 1955, 9, 4: VI, 31.

<sup>113</sup> *Petroleum Press Service*, May 1955, p 172.



Table 6.13

Growth of the Number of Motor Vehicles, Production and Consumption of Rubber in the Capitalist World (1929 = 100)

Year	Number of motor vehicles in use		Production of rubber in the capitalist world	Consumption of rubber	
	Whole capitalist world	USA		Whole capitalist world	USA
1939	134.3	120.1	107.7	124.1	107.6
1949	173.3	165.7	199.1	207.1	174.0
1951	213.9	199.8	197.1	267.3	223.9
1952	224.4	209.0	273.8	257.1	221.4

Source: A. A. Santalov. *Imperialisticheskaya borba za istochniki syr'ya* (The Imperialist Struggle for Sources of Raw Materials), AN SSSR, Moscow, 1954, p. 390.

The fight for sources of natural rubber (and the international rubber trade) was therefore quite fierce, which is understandable since it was in fact a fight for repartition of already shared out territories suitable for growing rubber, and for spheres of investment. Another important aspect was that the USA, with her mounting production of motor vehicles (especially in view of the arms race) was the main consumer of rubber in the capitalist world (see Table 6.14). That itself indicates that the antagonisms existing in this field between her and the other capitalist countries were not market ones but had deep-rooted causes and were linked with the general state of the capitalist economies and the capitalist countries' economic power.

First and foremost the U.S. monopolies systematically infiltrated Malaysia, which had the richest rubber plantations in the world. In so doing they clashed, naturally, with Great Britain, which had long completely exploited Malaysia as a rich source of natural rubber.

Nearly half of the world production of natural rubber came from Malaysia (917,000 tonnes out of a total of 2,017,000 in the mid-1960s).<sup>114</sup> The United States, taking advantage of Great Britain's economic difficulties in the period after World War II, and exploiting the fettering loans and credits granted her, was able to make big investments in the economy of Malaysia. This penetration by U.S. capital became particularly intensive after the founding of NATO. In a report on

<sup>114</sup> CIA. National Foreign Investment Centre. *Handbook of Economic Statistics 1979* (National Technical Information Service, Springfield, Va., 1979), p. 179.

Table 6.14

U.S. Imports of Natural Rubber, 1937-1965  
(000 tonnes)

Country	1937-9, average	1946	1960	1965
Indonesia	138	36	150.4	247.0
Malaya*	303	205	110.7	128.2
Thailand	—	10	52.8	5.7
Liberia	3	22	34.8	43.6
Indochina	21	67	28.4	4.8
Ceylon	30	18	28.1	9.0

\* After 1963 Malaysia.

Sources: calculated from *Statistical Yearbook 1953* (U.N., New York, 1953); K. I. Kunin. *Mirovyy rynek kauchuka* (The World Rubber Market), Moscow, 1937; *Rubber Statistical Bulletin* (London), 1953, 7, 6; U.S. Dept. of Commerce, Bureau of Census. *United States Imports of Merchandise for Consumption (by Country of Origin)*, for 1961 and 1966.

Malaya's economic and commercial position published in 1962, the British commercial commissioner in Malaya, Mackenzie, cited very interesting figures. American direct investments in rubber plantations were already \$46.7 million in 1952. (The USA had almost caught up with Great Britain, whose capital investments then were \$57.5 million.) The richest plantations in Pahang and Negri Sembilan had largely come under the control of Americans, where they had previously been wholly in the hands of British monopolies. In 1962 U.S. direct private investments in Malaya were already \$60 million.

As a material that the USA was stockpiling from year to year for military-strategic purposes, rubber was an object of attention of American ruling circles from more than the angle of capital investment. The American monopolists were also endeavouring to buy it up from the British in order to use it as another lever of economic pressure on Great Britain.

The manoeuvres that the United States resorted to in buying up Malayan rubber were a vivid illustration of this policy. Allowing for the steep increase in U.S. demand for rubber in 1950 in connection with the war in Korea, Great Britain raised the price for it, and also that of tin from South-East Asia. But she soon had to back down from this because of the corresponding counter-measures taken by the United States. From 1951 the USA, as we know, had put an embargo on many goods exported to the Soviet Union and other socialist countries by countries receiving American 'aid'. For her part she also reduced or completely stopped buying certain commodities from Britain. As a result, purchases of Malayan rubber fell steeply, which led to a precipitous drop in its price, since the main consumer was the United States. The decline in prices could not help having an adverse effect on the British economy, which was suffering on the whole from chronic difficulties. The USA thus employed an old, tried-and-tested method to put pressure on Britain.

It would not be out of place to recall that rubber prices were a matter of acute economic and diplomatic struggle between the United Kingdom and the USA right from the end of World War I. Initially demand for rubber lagged behind production, which led to a marked fall in its price, so that Britain resorted to curtailing production. Under the Stevenson scheme, which operated until 1928, the rubber planters were to limit exports to 60 per cent of their normal production in the first quarter of the next year; each plantation's production in 1920 was taken, in this case, as the standard rate. Any future increase or reduction of production was made dependent on the existing prices. In that way Britain succeeded in improving the situation as regards rubber prices, as will be seen from the following figures: while the price of rubber had been only 6.75 pence per pound in 1922, the average price during operation of the above-mentioned scheme became 19.5 pence per pound.

During the economic crisis of 1929-33 the price of rubber had again fallen steeply in connection with the drop in consumption, and was only 1.68 pence per pound in 1932.



Subsequently, on British initiative, prices became the subject of international agreements between Great Britain and the Netherlands, France, India, and Thailand, which provided for a system of quotas and control over rubber exports, for which a special international committee was set up in which the USA took part with a consultative voice. The committee, like the agreement of 1934 that set it up, reflected the interests, in the main, of the rubber-exporting countries. That is obvious from the fact that world stocks of natural rubber were reduced from 725,000 tonnes in 1934 to 464,000 tonnes in 1936 as a consequence of the 1934 agreement.<sup>115</sup>

That position did not suit the United States; it therefore began intensively to develop production of synthetic rubber. It also exploited this circumstance to reduce to nought the significance of the 1934 agreement, which mainly protected the interests of the United Kingdom and Holland (the rubber plantations of Indonesia were in Dutch hands). From 1944 the agreement ceased to operate even formally, and the U.S. government refused any bargain with the United Kingdom and other interested countries on the old basis. There was nothing surprising in the fact that the agreement had lost practical significance during the war, since Japan had then occupied the most important areas in the Far East where rubber was produced. The fact that the USA refused to enter into any agreement whatsoever was due to her long-range policy, the essence of which was (1) to grab control of as many rubber plantations as possible, and (2) to control the distribution of rubber stocks and rubber prices, by putting appropriate pressure on Great Britain and the other countries producing rubber.

The agreements reached in 1946 between the USA and the United Kingdom on the terms of U.S. purchases of rubber from the U.K. and the Netherlands did not eliminate the Anglo-American antagonisms in this field. Although they provided for fixed prices that the USA should pay for rubber, they gave her an advantage at the same time, since they enabled her to buy up a considerable part of their rubber from Great Britain, Holland, and France. The agreements were essentially a temporary bargain on the basis of certain mutual concessions. Customs tariffs, import quotas on natural rubber, and subsidies to local industry soon began to be given a more and more prominent place in the system of recommended measures underlying U.S. rubber policy.

The history of Anglo-American competition, and of the sharp struggle over rubber, indicates what means the United States resorted to in the fight for this important strategic material. She was striving all the time not only to get control of world stocks of natural rubber, and to use rubber to serve the needs of American industry but also to do so at the least cost to herself and the highest cost to her partner, the United Kingdom. That is why the measures of direct control over British rubber exports, imposed by *diktat*, invariably went hand in

<sup>115</sup> See K. I. Lukashev. *Imperialisticheskiye borba za poslevoyenniye rynki i istochniki syrya* (The Imperialist Struggle for Postwar Markets and Sources of Raw Materials), Mezhdunarodniye Otnosheniya, Moscow, 1947, p. 83.

hand with others of a commercial character aimed at lowering the price of rubber.

Considerable amounts of stockpiled natural rubber, plus a developed industry for making synthetic rubber, enabled the USA to manoeuvre on the world market and in fact dictate prices to Great Britain. There were grounds for the frequent comments in the British press that Malaysia's economy depended on the price of rubber on the world market, and that this price was fixed in New York.

The American monopolies were also trying to get control over the rubber of Indonesia and Thailand. They strove, by means of loans, to capture the export of rubber from them and to oust their British competitors from them. In particular they endeavoured to bring the production of rubber in Thailand under their control. Employing 'aid' under Point Four of the Truman Program, the USA concluded military, economic, and cultural agreements with Thailand that consolidated the American position in that country, especially in her economy. That is shown, in particular, by the fact that her main exports, including rubber, were grabbed by big American monopolies.

In 1951, the USA, employing levers of economic pressure, concluded an agreement on deliveries of rubber with the Indonesian government. In this case Britain's position was restricted. What U.S. penetration into Indonesia, and the increasing subordination of her production of rubber to American control, meant for the United Kingdom can be seen from the fact that Indonesia produced 432,400 long tonnes of rubber in 1948, or 28.5 per cent of the world production of natural rubber in that year; in that same year around a quarter of the rubber shipped from Malaysia was of Indonesian origin.<sup>116</sup>

A typical illustration of the USA's use of various methods of economic enslavement and seizure of sources of raw materials is the story of American monopolists' penetration of Liberia, where conditions were favourable for the production of rubber. One of the initiators of the conversion of Liberia into a huge rubber plantation was Edward R. Stettinius, Jr., the Secretary of State in the Roosevelt Administration, who, without waiting to wind up his affairs after his replacement in the post by James F. Byrnes in 1945, founded a special company to develop a new business in Liberia. This company got a concession to produce rubber in Liberia until the year 2027, which in itself shows what fettering terms were imposed on this small African country. The American press subsequently reported that the scale of this new undertaking did not justify the hopes placed in it. Nevertheless U.S. business continued its 'experiment' in Liberia with the support and encouragement of the government; 24,500 long tonnes of rubber were produced there in 1948 as against the 2,600 long tonnes a year in the period 1934-8; in the mid-1960s Liberian production rose to 50,000 long tonnes.<sup>117</sup>

<sup>116</sup> Economic Cooperation Administration. Special Mission to the United Kingdom. *The Sterling Area. An American Analysis*, prepared under direction of John M. Cassels (London, 1951), pp. 634, 635.

<sup>117</sup> *The Sterling Area...*, p. 634; United Nations. *Statistical Yearbook 1974* (U.N., New York, 1975), p. 143.



Liberia's great economic and political dependence on the United States was exploited for that purpose, and U.S. ruling circles treated it as one of their strategic bridgeheads on the African continent.

The total commercial turnover built up by the American Firestone Tire and Rubber Company, which had been operating earlier in Liberia, and had obtained a concession of a million acres (400,000 hectares) increased year by year. The concession had been obtained on enslaving terms. Under it Firestone had to pay only \$2.4 a year per every 100 hectares of worked land. The fact that the Morgan group played the dominant role in American capital's penetration of Liberia deserves attention. The magnates of the U.S. steel industry did not spare funds to convert Liberia into a profitable object of economic expansion, and to tie her hand and foot.

In the early 1960s at least 30 American companies were operating in Liberia, among them R.G. LeTourneau, Inc., Raymond Concrete Pile Co., the Liberian company for the production of cocoa, coffee, and rubber controlled by Stettinius Associates-Liberia, the B.F. Goodrich Co., and subsidiaries of Texas Oil and Socony Mobil Oil.<sup>118</sup> Their operations made it possible to increase American investment in Liberia to \$65 million (the official figures, moreover, being clearly understated). All this was accompanied with the building of facilities of a far from civilian purpose, such as big aerodromes that were of interest to the American War Department rather than Liberia.

Liberia's great dependence on American capital was due to the fact that her investments laws were exceptionally favourable for the USA. They provided, for example, for investors to be able to export their income without limitations of any kind. Since the American dollar was legal tender in Liberia, American investors got terms for the investment of their capital that differed little from typically colonial ones. To that we must add that income tax was exceptionally low for American companies—not more than 25 per cent—and in some cases they were freed completely from taxes.

American companies in Liberia also invested their capital in working her very rich deposits of iron ore, which were almost exclusively at the disposal of overseas capital. Thomas Breen, of the American International Trust Co., said with justification: 'About a thousand companies have also made Liberia their corporate headquarters, and the majority are American-owned.'<sup>119</sup>

All this is a typical example of the economic pillaging of the wealth of economically underdeveloped countries by foreign capital. And it took place in conditions when Liberia was experiencing acute need for funds to develop her industry and agriculture and improve the material well-being of her population.

The United States of America thus controlled almost the whole of the natural rubber sold on the capitalist market. She did so largely by exploiting a price policy in the fight against her main competitor,

<sup>118</sup> *The Wall Street Journal*, 24 October 1958.

<sup>119</sup> *Ibid.*

the United Kingdom, and through direct penetration by American capital of the countries that were its richest sources (Malaysia, Indonesia, Thailand, etc.).

The direct investment of U.S. capital in rubber plantations did not, of course, compare in any way with the foreign investments of the oil companies. Nevertheless U.S. monopoly capital won important positions in this field. A marked proportion of the rubber imported by the United States came from American companies and their affiliates abroad; in 1953 they were 15 per cent of U.S. total imports of rubber.<sup>120</sup>

During World War II, as we have already pointed out, a developed synthetic rubber industry arose in the United States, and protectionist measures were taken to encourage it. Other measures were also employed from time to time to increase it. In 1948, for example, American industry 'was required by law to use 222 thousand long tonnes of general purpose synthetic in the transportation field', i.e. predominantly on road haulage, in the course of that year; consumption was actually 243,000 long tonnes.<sup>121</sup>

The arms race and the switching of industry more and more to war lines, especially in connection with the war in Korea, caused a further growth in production of synthetic rubber. In 1951 the U.S. synthetic rubber production had nearly doubled compared with 1950. Many factories that had ceased production of rubber after World War II resumed it on an even broader scale.

The production of synthetic rubber considerably strengthened the USA's position and weakened that of Great Britain and France. The monopolies importing natural rubber from abroad for the war industry, especially the aircraft industry, made huge profits. No fewer profits were also made by the monopolies that controlled production of synthetic rubber, namely major financial monopoly groups like the Rockefellers, Du Ponts, etc.

In the postwar decades of American capital's fight to get hold of foreign sources of primary materials the lion's share of the profits from operations in rubber went to four major American companies engaged in the production of synthetic and natural rubber—Goodyear Tire and Rubber, Firestone Tire and Rubber, United States Rubber, and B.F. Goodrich—all of them closely linked with one or other of the major U.S. financial monopoly groups. It was these groups that ultimately bossed the show in this field.

The interests of some of them were closely interlocked. The main raw material for the manufacture of synthetic rubber is oil. It means an additional demand for oil products, with all the consequences for the oil monopolies' revenues stemming from that. Oil produced in Arab countries, Venezuela, Indonesia, Canada, and African countries went to a considerable extent into the production of synthetic rubber in the Du Pont enterprises, which controlled around a quarter of the

<sup>120</sup> *Survey of Current Business*, 1953, 33, 12: 14.

<sup>121</sup> *The Sterling Area...*, p. 634.



production facilities of the whole U.S. chemical industry after World War II.

The Du Pont corporation operated in close collaboration with other big U.S. industrial monopolies, to which it sold its product. Together they pillaged broad strata of the public by fixing high prices for their goods, especially tyres and many types of rubber articles. The link took the form of a close interlocking of their capitals. Du Pont, for example, had a 23 per cent interest in General Motors, the biggest producer of motor cars in the world. It also controlled the biggest rubber company, United States Rubber, and several other firms.

The growth of Du Pont's influence led to its directly or indirectly controlling a production apparatus after World War II with a capital valued in 1948 at \$6,469,800,000.<sup>122</sup> It is not surprising, therefore, that when the question of its 'operations' arose, since this powerful concern often did not allow for the anti-trust laws, its shares did not sag on the stock market. Everyone knew from experience that none of the suits brought against it in the court would have any consequences, or at best a small fine. There was a case in 1942, for example, when this corporation (which controlled assets worth billions of dollars) paid a fine of only \$65,000 for breach of the price laws.

The hearing of any suit against the Du Ponts was generally dropped during the Korean war on the simple grounds that it might, in the view of U.S. official circles, affect its production of munitions for the Army and Navy.

The huge government military orders being fulfilled by Du Pont (in which the production of rubber had a big place) led to its income rising significantly. In 1949 alone its net profits were \$213,600,000, after payment of taxes and other dues.

The heads of this huge corporation, which is justly called the Du Pont Empire in the U.S. economic literature, themselves did not conceal that its rapid expansion was due to its colossal, constantly growing profits. As for the rapid growth of its capital investments, their main cause, they declared, was undoubtedly the attractive force of profits.

The facts cited above show the direct link between the pillaging of other countries' oil, control over the production and distribution of rubber, and the huge profits obtained by the oil companies and the Du Pont chemical concern which controls the production of synthetic rubber and the import of natural rubber into the USA.

#### 4.3. The U.S. monopolies' fight to dominate other raw material markets

After the war the USA became dependent on imports of several types of primary commodities (in addition to those mentioned above), in particular tin, zinc, chromium and manganese ores, copper, aluminium and nickel (see Table 6.15).

<sup>122</sup> See *Monopolii segodnya* (Monopolies Today), Moscow, 1951, p. 63.

In spite of the fact that her dependence on import for some materials fell, she had a high interest in securing access to deposits in other countries and organising a continuous supply for her industry.

Another reason for American monopolists' drive to get materials from abroad was their striving to bring the economies and so the policies of the countries concerned under their control.

Table 6.15

Growth of U.S. Imports of Selected Primary Commodities, 1950-1960 (percentage of consumption)

Commodity	1950	1960
Tin	100	100
Platinum, etc.	91	95
Chromium	100	94
Manganese	77	92
Nickel	99	88
Aluminium	71	77
Lead	59	59
Zinc	37	54
Uranium	—	47
Copper	35	9

Source: National Commission on Materials Policy. *Interim Report* (U.S. Govt. Printing Office, Washington, D.C., 1972).

Table 6.16

Mining of Tin in Capitalist Countries, 1943-1965 (percentage of 1937)

	1937	196,500 tonnes
1943	69.1	
1946	44.4	
1949	81.2	
1950	82.8	
1960	67.4	
1965	75.9	

Source: A. A. Santalov. *Op. cit.*, p. 350; *Kapitalisticheskiye i razvivayushchiyesya strany* (Capitalist and Developing Countries), Politizdat, Moscow, 1973, p. 53.

Tin is a strategic material. Although production of aluminium and various alloys that replace tin was increasing in the early 60s, and it no longer played the same role as before, it still had an important place as a primary commodity used in war industry. Tin production in the capitalist world for nearly three decades (1937-65) is shown in Table 6.16. The figures indicate that although production declined tin was still being mined in large quantities. At the same time the USA was wholly dependent on imports of it. In the period concerned countries like Bolivia, Malaysia, and Indonesia remained important suppliers but the intensification of exploitation affected both the volume and the ratio of production and exports of this valuable metal. The U.S. policy of crude pressure on Bolivia, for example (after nationalisation of its tin industry in 1952), which was expressed in particular in a limitation of imports and dressing of Bolivian ore, led at times to a reduction of tin mining there.

That was because Bolivia was the sole rich source known in the Western hemisphere. The USA, while striving to get full control over Bolivian tin, had made the International Tin Control Scheme (which had existed between Britain, the Netherlands, and Bolivia since 1931, and which was joined by several other countries, including



Belgium and France) virtually inoperative during the war, and altogether a dead letter in 1946 (when the International Tin Committee was dissolved). The Scheme had provided for regulating production so as to maintain high prices.

What had happened with rubber, also came about with tin.

The USA found agreements of this kind that to an extent protected the interests of tin-producing countries restrictive for itself. The first article of the tin agreement said, for example:

The Scheme is intended to secure a fair and reasonable equilibrium between production and consumption with the view of preventing rapid and severe oscillations of price.<sup>123</sup>

During the war Bolivia had already been flooded by American experts looking for opportunities to increase tin production and exports of it to the USA. Bolivia found herself under the constant pressure of Wall Street, which had set itself the aim, whatever happened, of getting all Bolivian tin into its hands and finally ousting Great Britain, which it actually succeeded in doing. From 1942 almost the whole of Bolivian tin was already going to the USA.

It was not just American companies that were involved in this, but also the U.S. government. The latter's involvement was not limited to political pressure on Bolivia through diplomatic channels, etc.; it also directly financed the building of plants to process tin concentrates.

In 1942, for example, a big plant to refine Bolivian tin concentrates was commissioned in Texas, the building of which had been wholly financed by the U.S. government. By building it on American territory the USA got an additional lever against Bolivia, which she did not hesitate to use. In deliberately separating the production of concentrates from their refining, she had taken a possible increase in tin mining in Bolivia into account. The plant itself was big enough to refine approximately one-third of the whole capitalist world's prewar production of tin. The U.S. government did not want a big modern plant to refine tin concentrates to be built in Bolivia, as well, because that would have contradicted the American monopolies' whole policy, viz., to keep Latin American countries in the position of dependent appendages of the U.S. economy.

The agreements imposed on Bolivia as regards the price of tin were a typical example of American capital's imperialist pillaging of the natural wealth of economically underdeveloped countries. What it meant for Bolivia can be judged from the fact that her revenue from the sale of tin was roughly 50 per cent of her budget. Tin played an even greater role as a source of foreign exchange, because of the one-sided development of the Bolivian economy. Receipts from the sale of tin constituted about 80 per cent of Bolivia's reserves of foreign exchange.<sup>124</sup>

These figures quite eloquently show why the Bolivian people consider the question of their tin to be of immense economic and political

importance. This is why the indignation of the broad public, above all Bolivian workers, at foreign monopolies' lording it over the country constantly growing and taking on an essentially anti-imperialist character, and accompanied with demands for nationalisation of the tin mines. Because of these demands and the increasing protests of the miners, who were ruthlessly exploited by U.S.-controlled mining companies, the Paz Estenssoro government, which came into office in Bolivia with broad popular support in April 1952, nationalised the main tin mines at the end of that year.

The profits made by the American-controlled companies that monopolised the mining and marketing of Bolivian tin, and the figures on the exploitation of the workers, refute all statements about the unselfishness of American policy in regard to that country.

The Bolivian public figure Ricardo Anaya pointed out in his book on the nationalisation of Bolivian tin mines that the three biggest foreign companies had made profits two or three times bigger than their investment of capital between 1940 and 1946 (the profits of the Aramayo de Minas Company were 2.5 times the amount of its capital).<sup>125</sup>

The United States of America got her hands on other important strategic materials and metals in Bolivia, like tungsten, lead, and antimony. The American monopolists also squeezed out considerable profits by buying up these materials.

At the same time the thousands of Bolivian workers employed in the tin mines lived in extreme poverty, getting only between one-ninth and an eighth of the pay of unskilled workers in the USA (the millions of whom, not to mention the unemployed, lived in slums and dragged out a half-starved existence, according to President Truman).

Medical studies made in the mines of one of the nationalised companies indicated that 97.8 per cent of the workers had tuberculosis. The Bolivian doctor, Victor Saravia, estimated that the workers employed in the tin mines got less than a third of the calories they needed in their diet. Their hard conditions led to the average expectation of life of tin miners being 26.<sup>126</sup>

The United States of America attached great importance to lead and zinc when grabbing sources of the most important military-strategic materials. Demand for them rose steeply on the U.S. home market in the 50s and 60s, while mining lagged markedly behind industry's needs. The USA nevertheless remained the chief producer of zinc in the capitalist world over the whole of that period (800,000 and 994,000 tonnes respectively in 1960 and 1965).<sup>127</sup>

The USA also held first place in the capitalist world in production and consumption of lead. The fight for the main reserves was waged in two directions. (1) The USA got control of sources in several cases by investing capital in them, which was the practice particularly in

<sup>125</sup> Ricardo Anaya. *Nacionalización de las minas de Bolivia* (Imprenta universitaria, Cochabamba, 1952), pp 44-45.

<sup>126</sup> *Ibid.*, pp 113, 131.

<sup>127</sup> United Nations. *Statistical Yearbook 1978* (New York, 1979); *Statistical Yearbook for 1979-80* (New York, 1981).

<sup>123</sup> Cited from Wendell C. Gordon. *The Economy of Latin America* (Columbia U.P., New York, 1950), p 285.

<sup>124</sup> See *The Sterling Area...*, p 538.



relation to Latin America. (2) The U.S. government, employing means of political and economic pressure, banned free export of lead to countries that had previously exported it. As a result the metal was included in the list of commodities that were banned for free sale on the market.

In that way the USA got its hands on the greater part of the capitalist world's production and sale of lead and zinc in the postwar years. Loans and credits given to some producer countries on shackling terms played no small role in this. A typical example was the plan to expand lead mining in Equatorial Africa and Northern Rhodesia in exchange for 'aid' under the Marshall Plan. One of the terms for the 'aid' was an increase in lead production in those areas in accordance with U.S. requirements, with the result that their mining and smelting of lead ores in fact passed under American control.

The USA took active steps to get a tight grip on lead and all other strategic materials in Tunisia and Morocco. The American mining companies Newmont Mining Corp., St. Joseph Lead, and Mines Incoming, owned a controlling share in the North African Lead Company. The lead mines in Morocco passed under the control of U.S. monopolies, which increased production from 60,000 to 66,000 tonnes in 1949-50, and up to 80,000 tonnes in 1951. Almost all the lead produced in Tunisia and Morocco, and the zinc, manganese, and cobalt, were shipped to the USA.

The United States of America was in control of the production and sale of lead in Mexico and Canada, and to a large extent in Australia, in the same period. Each of these countries yields only to the USA in lead production in the capitalist world.

Around a quarter of the total amount of lead used by the USA in the 50s came from Canada and Mexico. The lead deposits of North America (not counting the USA's own) constituted five million tonnes, according to the official figures. The total reserves in the whole of the Western hemisphere, including all the countries of Latin America, were around 15 million tonnes in the 50s, according to the same sources.<sup>128</sup>

The USA thus controlled more than two-thirds of the capitalist world's production of lead.

American capital was involved in designing a dam and 800 MW power station on the River Kwilu in Africa. The biggest investors in the project were American Olin Mathieson Chemical Corp. and Kaiser Aluminium and Chemical Corp. After World War II the Newmont Mining Corp. bought the shares of a French firm mining lead and zinc on the Moroccan-Algerian frontier; in addition, it acquired 35 per cent of the capital of two French companies in Equatorial Africa. The economic cooperation administration set up in the USA opened a special credit of several million dollars for Newmont's operations in North and Equatorial Africa, which was covered by deliveries of

<sup>128</sup> U.S. Senate Committee on Interior and Insular Affairs. *Report of the Minerals, Materials, and Fuels Economic Subcommittee on Accessibility of Strategic and Critical Materials to the United States in Time of War and for Our Expanding Economy* (U.S. Govt. Printing Office, Washington, D.C., 1954), pp 88, 93.

strategic materials. Newmont and St. Joseph Lead jointly held half of the shares in the two companies operating lead and zinc plants, viz., the Société nordafricain du plomb and the Société algérien du zinc.

American capital strongly infiltrated Equatorial Africa in the fight for sources of minerals. The most vigorous activity there was developed by the American investment company, Compagnie minière de l'Ogooué, known as Comilog. The biggest U.S. steel company, United States Steel, owned 49 per cent of the shares and capital of Comilog, which was founded primarily to exploit the manganese deposits on the Ogowe River. The company's total investment was already \$90 million at the start of the 60s; under the terms of the agreement half of the output was to be automatically put at the disposal of United States Steel.<sup>129</sup>

Another American company, Bethlehem Steel, owned 50 per cent of the shares in a smaller firm founded to work iron ore deposits in the north of Gabon, estimated to contain more than 1,000 million tonnes. The French share in this firm was 34 per cent, including 12 per cent that represented government investment. The rest of the capital belonged to steel firms in Belgium, Italy, the Netherlands, and West Germany. Control over its operations was thus in the hands of the American corporation with all the consequences stemming from that.

The greater part of the bauxite ore exported from Africa in the first postwar decades came from mines developed by a subsidiary of Aluminium Limited, operating in West Africa. Annual output reached 500,000 tonnes (which was, however, only a quarter of the company's production in British Guiana). Formally Aluminium Ltd. was a British company; in fact, however, it was part of a gigantic aluminium cartel that operated on an international scale and was closely linked with the American monopoly ALCOA (the Aluminium Co. of America) and its main subsidiary ALCAN (Aluminium Co. of Canada).

Aluminium Ltd. had been involved since 1956, through a French subsidiary, in working bauxites in the Guinea Republic (French Guinea), into which it had put \$100 million. That shows that the Guinea Republic's economy was largely dependent on American, British, and French capital, the first-named playing the biggest role, since it was a matter of working valuable source minerals. That circumstance greatly complicated the young Guinea Republic's struggle for real independence and emancipation from the bonds of colonialism in the economic field.

At the end of the 50s American capital had intensively infiltrated the economy of Ghana. Her obtaining of independence led to a change in the ratio of British and U.S. capital there in the USA's favour. The same occurred, moreover, in other areas of Africa: American capital operated through certain British firms, for example, the Aluminium Co. Limited. How fettering the terms imposed on Ghana were can be seen from the following: the President of Aluminium Limited, insisting on the company's receiving 60 per cent of the total profits, declared in April 1956 that private capital would be reluctant to go into new areas

<sup>129</sup> *The New York Times*, 22 January 1959.



until it was guaranteed receipt of profits that fully compensated it for the risk connected with investment.

Several British and American firms were engaged in exploiting the natural resources of Uganda. They paid more and more attention to copper and cobalt. Frobisher Ltd. of Canada, a firm closely linked with American capital, was engaged in working the richest mines.

In the late 50s and early 60s the USA has snapped up many sources of industrially important minerals in the capitalist world, either directly or indirectly (viz., of beryllium, chromium, copper, manganese, molybdenum, nickel, platinum, tungsten, uranium, etc.).

### **§5. The role of international monetary and credit institutions in furthering the expansion of American capital**

One of the channels of U.S. economic expansion was the operations of the international credit institutions founded in part during World War II, and in part afterward.

The role of American private loans and credits was quite small after the war compared with the various forms of government loans and credits. American banks and corporations preferred not to risk their capital in connection with what they considered a politically very unstable situation in a number of countries after the war, in particular in several West European countries.

Certain European countries, furthermore, had dropped out of the system of capitalism and taken a road of building socialism. The very fact of the advent of new socialist states, which meant a blow to the whole capitalist system, made American monopolies frightened for the fate of their capital.

To the extent that private capital was still exported in the early postwar years, it was sent primarily to Latin America and Canada, and only to separate countries in other parts of the world. The old, tested forms of expansion had already proved unsatisfactory for American imperialism, which was looking for new ways and methods that would serve its expansionist plans along with the old ones. It is from that aspect that we must consider the founding of international monetary and credit institutions like the International Bank for Reconstruction and Development and the International Monetary Fund.

#### **5.1. The International Bank for Reconstruction and Development**

The International Bank for Reconstruction and Development (commonly known as the World Bank), founded by decision of the United Nations Monetary and Financial Conference held at Bretton Woods (USA) from 1 to 22 July 1944<sup>130</sup>, has served as a very important instrument of U.S. economic expansion.

<sup>130</sup> Formally the foundation date of the World Bank was 17 December 1945, when the representatives of 29 states signed its Articles of Agreement.

The idea of establishing an inter-governmental bank was not new in the history of American foreign policy. It came up first among U.S. business circles in connection with the injection of American capital into Latin America. The first International Conference of American States had already adopted a special resolution in April 1890 recommending the founding of an International American Bank.<sup>131</sup> President Harrison recommended the Congress to agree to this proposal, whose authors had been U.S. financial-monopolistic circles.

Since the export of American capital to Latin American countries through private channels presented no risk then, practical steps to found the bank were not pushed. The matter was raised repeatedly, nevertheless, at the next Conferences of American States at which resolutions were passed in favour of establishing an Inter-American Bank. The last decision of that sort was the recommendation of the Inter-American Financial and Economic Advisory Committee (an agency of the Pan-American Union), adopted in 1940 together with a draft charter of an Inter-American Bank. The Committee worked under the guidance of experts of the U.S. State Department, Treasury, Federal Reserve Board, and Federal Loan Agency. The project for the bank, drafted in fact to American dictation, was signed by the U.S. representatives on 10 May 1940 and presented to the Congress, for adoption, by President Roosevelt.<sup>132</sup>

This proposal, like that on establishing an Inter-American Stabilisation Fund, adopted the next year at the Conference in Rio de Janeiro, was not carried out then because the development of the war in Europe, and then the USA's entry into the war after Japan's attack on Pearl Harbor, had altered the situation. The delay, however, not only did not lessen U.S. industrial and financial circles' appetite for the establishment of an inter-governmental financial agency, but, on the contrary, whetted it.

In the new situation U.S. monopolist circles were no longer satisfied by the idea of a regional bank such as the Inter-American Bank would have been. In its place there arose the idea of a similar international organisation; government institutions, and persons closely linked with the major American monopolies, in particular Henry Morgenthau, Secretary of the Treasury in the Roosevelt Administration, began to work on a project. The American proposals for the founding of an international bank, which underlay the decisions of the Bretton Woods Conference, in general reproduced the main provisions of the scheme for the Inter-American Bank.

It is also of interest to recall certain facts from the history of the origin of the World Bank, since they indicate the unsoundness of U.S. official circles' attempts, and those of American economists, to present matters as if the idea of the bank had arisen only during the war and had been dictated by U.S. altruistic intentions to help the countries suffering from the war to revive their economies by means either of

<sup>131</sup> See R. F. Mikesell, *United States Economic Policy and International Relations* (McGraw-Hill, New York, 1952), p. 193.

<sup>132</sup> *Ibid.*, p. 194.



credits opened directly by the bank, or of private credits guaranteed by it. The roots of the idea were linked, in fact, with the vested selfish interests of American capital.

Already in the course of the Bretton Woods Conference, at which the American delegation introduced its proposals, it was not difficult to understand what U.S. financial-monopolistic circles were after in setting up an international bank. It was already clear then that the projected bank was thought of as a body wholly subordinate to the USA, and in fact an appendage of the biggest American banking groups.

The agreement adopted by the Conference, which was *de facto* the charter of the Bank, and its subsequent operations (it officially began to function on 25 June 1946) showed that it justified the hopes of its initiators and served their interests.

In accordance with its Articles of Agreement the purposes of the Bank were (Article I):

(I) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productivity facilities and resources in less developed countries;

(II) To promote private foreign investment by means of guarantees or participation in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources;

(III) To promote the long-range balanced growth of international trade and maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labour in their territories;

(IV) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first;

(V) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate postwar years, to assist in bringing about a smooth transition from a war-time to a peace-time economy.<sup>133</sup>

The formulation of the Bank's aims, especially points (IV) and (V), already showed that it (and in fact those who are in charge of it) should 'co-ordinate' the loans it granted with those obtained through other channels, and that the question of whether or not a loan was needed was consequently to be decided by those in whose hands the Bank lay rather than by the country applying for it.

The same must be said of the point about the need to guarantee that 'the more useful and urgent projects' would be dealt with first. In that case it would not be the country that would decide the question of the employment of the loan at its own discretion but those who were in command of the Bank (i.e. American financial-industrial groups). It was the latter who would decide which projects were 'more useful'

<sup>133</sup> Final Act of the U.N. Monetary and Financial Conference, Bretton Woods, July 1-July 22, 1944. *United Nations Documents, 1941-1945* (Royal Institute of International Affairs, London, 1947), pp 65-66.

and 'urgent'. In practice the U.S. representatives controlling the Bank's operations decided these matters, taking into consideration not the interests of the country concerned, even though it had asked for the loan, but whether or not it corresponded to the interests of U.S. finance capital.

The reminder in point (V) about 'due regard to the effect of international investment on business conditions in the territories of members' was a barely concealed instruction for the Bank to intervene in countries' internal affairs and to dictate to the recipients of loans through the Bank how they were to use them, what changes they would have to make in their economies, by means of the loans, and so on. At the same time this point also brought out the real plans of the U.S. financial oligarchy to employ the Bank for its own selfish ends.

As for the instructions on the need 'to assist in the reconstruction ... of members', 'to promote the long-range balanced growth of international trade', and 'to assist in bringing about a smooth transition from a war-time to a peace-time economy', they were nothing more nor less than tricks to gloss over the real essence of the Bank's aims. The high-flown terminology was meant to deceive public opinion by giving a false glow to the real aims that its initiators associated with the foundation and operations of the institution. Right from the start the Bank was not only not employed for reconstruction of members' economies and for 'a smooth transition from a war-time to a peace-time economy' but, on the contrary, served to give their economies a one-sided direction by strangling industries whose development did not suit U.S. monopolies.

The distribution of votes indicated what the World Bank really intended to do. A system of voting was laid down whereby each country's number of votes depended on the amount of its capital in the organisation. Each country received 250 votes and an additional vote for every \$100,000 subscribed. According to its official accounts, the United States had 38.1 per cent of all the votes at the Bank's foundation, the United Kingdom 15.6 per cent, and France 6.3 per cent; the USA, U.K., and France together had almost two-thirds of the votes, i.e. the USA plus its Allies received a majority in the Bank and at the same time the opportunity to dictate their will to the rest of the members.<sup>134</sup>

In the years following the United States and the other major industrial capitalist countries continued to hold a dominant position in the Bank in spite of a certain reduction in their share in the capital and total number of votes. This inequality in distribution of votes, plus the clearly expressed pro-capitalist orientation of the Bank's aims once more legalised, as it were, the international principles of the operations of capital, viz., by force and might, in accordance with the interests of the predominant financial groups. A feature here was that it was done in opposition to the principles of the United Nations, because it was quite evident that this practice was discriminatory and contradicted

<sup>134</sup> International Bank for Reconstruction and Development. *Third Annual Report, 1947-1948* (World Bank, Washington, D. C., 1948).



the principle of the sovereign equality of states written into the U.N. Charter.

Furthermore, the USA 'saw to it' that the United Nations was deprived of any real chance of influencing the direction of the Bank's operations. According to the agreement between the United Nations and the Bank, confirmed by the second session of the U.N. General Assembly, the link between them was a rather formal one for the Bank. It applied to its operation, but did not exclude the West's efforts to impose its pro-capitalist principles of activity on the U.N. in economic and social matters. The United Nations had no right even to make recommendations to the Bank about its operations, since the whole relationship was reduced in the agreement to mutual consultation. Recommendations were only possible by preliminary mutual agreement. Article IV of the Agreement said:

Neither organization, nor any of their subsidiary bodies, will present any formal recommendations to the other without reasonable prior consultation with regard thereto.<sup>135</sup>

And further:

The United Nations recognizes that the action to be taken by the Bank on any loan is a matter to be determined by the independent exercise of the Bank's own judgement in accordance with the Bank's Articles of Agreement. The United Nations recognizes, therefore, that it would be sound policy to refrain from making recommendations to the Bank with respect to particular loans or with respect to terms or conditions of financing by the Bank.<sup>136</sup>

The agreement with the United Nations said that while it had no right to make any recommendations as to the Bank's operations, it did have the right 'to make recommendations with respect to the technical aspects of reconstruction or development plans, programmes or projects'.<sup>137</sup>

The granting of the right to the United Nations to make recommendations to the Bank about its operations (though not to make any radical changes), it should be noted, at least provided a greater chance to expose its activity as an instrument in the hands of American monopolies. The position created in connection with the agreement between the Bank and the United Nations made it possible to conceal from the public the real character of the former's operations, since the United Nations only takes note of the information reports received from it. The World Bank, however, tries to cover its operations with the authority of the United Nations: when necessary, it influences the forms and methods of the decision of economic and national matters, and the operation of separate U.N. programmes, e.g., the programme of technical aid for developing countries.

The whole system of agreements affecting the World Bank was so built that control over all aspects of its operations was directly or indirectly in the hands of the USA. Article III of the Articles of Agreement adopted at the Bretton Woods Conference, for example, contains a detailed list of the conditions on which

the Bank may guarantee, participate in, or make loans to any member or any political sub-division thereof and any business, industrial, and agricultural enterprise in the territories of a member.<sup>138</sup>

These provisions laid down that the Bank must do so that loans were intended for 'definite objects', the terms of the granting of loans were 'reasonable', etc. Decisions relating to the terms of loans were put wholly in its hands.

Furthermore, the same agreement gave the United States the opportunity to exercise control over the granting of loans in another way. Article IV says that the Bank may borrow funds or guarantee loans

only with the approval of the member in whose markets the funds are raised and the member in whose currency the loan is denominated, and only if those members agree that the proceeds may be exchanged for the currency of any other member without restriction.<sup>139</sup>

This same system of inequality and American domination was consolidated in the way the Bank is governed.

The activity of its Board of Governors, which decides all the main matters of its operations (reduction or increase of capital, expulsion of countries from membership, the carrying out of decisions on questions of interpretation of the Articles of Agreement, conclusion of agreements on co-operation with other international organisations, decision of matters on the distribution of the Bank's assets and net profits, etc.), has proved in practice to be controlled in essence by the USA.

The same has to be said about the composition of the Executive Directors, the World Bank's executive body, consisting of 20 directors, five of whom are permanently appointed by the members with the most shares (i.e. the USA, United Kingdom, and France), and 15 elected by the Governors representing the other members. The votes of the USA, plus those of its dependent states, guarantee it an absolute majority among the Executive Directors, who are responsible for the Bank's current business.

As for the Bank's President, this post was occupied for many years by representatives of major American banking and industrial monopolies (Eugene Black, Vice-President of the big Rockefeller Chase National Bank; John McCloy, director of Union Pacific, one of the biggest railroad companies, and former American High Commissioner of Germany; Eugene Meyer, publisher of *The Washington Post* and President of a large American radio company; and later by Robert McNamara, former President of Ford Motor and U.S. Secretary of Defence).

The whole structure of the World Bank's administration and the organisation of its apparatus are calculated to put control of its operations in U.S. hands, from the decision of major matters of the granting of loans to current organisational activity.

U.S. monopolies got an important instrument of expansion in the World Bank, a kind of financial and credit counterweight to the noble political principles embodied in U.N. Charter, which reflected in substance the epoch-making victory of the democratic and liberation forces

<sup>135</sup> *Yearbook of the United Nations, 1947-48* (U.N., New York, 1949), p. 872.

<sup>136</sup> *Ibid.*, p. 873.

<sup>137</sup> *Ibid.*

<sup>138</sup> *United Nations Documents, 1941-1945* (Royal Institute of International Affairs, London, 1947), p. 69.

<sup>139</sup> *Ibid.*, p. 71.



in the fight against fascism. To the logic and principles of the organisation of the world on a new foundation (sovereign equality, non-intervention, etc.), which took into account the character of the balance of political and class forces on the international scene, monopoly capital counterposed its own logic and principles (according to financial strength, on the basis of *diktat* and pressure), embodied in the charter and practice of the World Bank, in which the USA has the decisive position.

## 5.2. The International Monetary Fund

The USA also widely exploits the International Monetary Fund (which the Bretton Woods Conference decided in July 1944 to establish simultaneously with the World Bank) for its ends of expansion. Officially the IMF was founded on 27 December 1945, i.e. when the ratified credentials of the representatives of states whose contributions constituted 80 per cent of the total fund were deposited for safe-keeping. The Fund began monetary operations on 1 March 1947.

Like the World Bank the IMF also has its own curious history.

Typically, the USA used the experience of its relations with the countries of Latin America in this case as well; during World War II it had concluded a number of bilateral agreements with them with the aim of regulating the exchange rates of their currencies, when the position of their finances caused damage to American monopolies. Washington, however, considering the position, which was favourable for the USA, was no longer satisfied by palliative measures in respect of separate countries. The U.S. government, therefore, was ready, on the eve of the conference of Ministers of Foreign Affairs of the American Republics in January 1942, to establish a special international body to deal with the stabilising of currencies, and at the conference proposed that the Governments of the American Republics participate in a special conference of Ministers of Finance or their representatives to be called for the purpose of considering the establishment of an international stabilization fund.<sup>140</sup>

At the same time the U.S. Treasury was working on the project for such an international institution. Instead of a plan for establishing a regional body with membership only of countries of Western hemisphere, one was already drafted for a broader international agency. During the preliminary negotiations the American proposals were amended somewhat, mainly in the interests of the British.

The British representative Lord Keynes introduced proposals for establishing an international clearing union. The main difference between the two plans was that the American one permitted changes of the parity of currencies only in exceptional cases and with the approval of four-fifths of the votes of all members of the Fund, while the British proposals were more elastic, and permitted correctives at the discretion of the country directly interested. As for the quotas to the Fund the

British proposals also differed from the American, mainly in fixing them in accordance with a country's volume of foreign trade.

If the British proposals had been accepted Great Britain's original quota would have been more than \$4 billion, and would have become even bigger subsequently; under the plan adopted at Bretton Woods it was only \$1,300 million. Since, under Keynes' plan, a country would have the right to get short-term loans from the Fund to a total exceeding its quota by three-quarters, Britain was clearly trying to get a more favourable position for herself. But that just did not correspond to the interests of American financial circles, who were trying, through establishment of the Fund, to increase the dependence of the British economy and finances, and those of other members, on the USA, rather than to weaken it. The USA insisted on another plan of quotas which gave her a large preponderance over Great Britain, whose quota was fixed at even less than half of the American, and also on stricter terms for utilising the Fund's resources, and several other provisions favourable for the USA but unfavourable for the United Kingdom.

This divergence of views reflected the antagonistic interests of the USA and United Kingdom stemming from their economic positions which had undergone major changes as a result of the war. Keynes' proposals on matters of parity and quotas had the aim of preserving certain means of resisting U.S. economic pressure in Great Britain's hands.

The draft project was based essentially on the American proposals which were also later the basis of the agreement on establishing the International Monetary Fund.

Officially the purposes of the Fund, as defined by Article I of its Articles of Agreement, are as follows:

(I) To promote international monetary co-operation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems;

(II) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy;

(III) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation;

(IV) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade;

(V) To give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity;

(VI) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.<sup>141</sup>

Like the International Bank for Reconstruction and Development, the International Monetary Fund is largely controlled by U.S. capital.

<sup>140</sup> Leland M. Goodrich (Ed.). *Documents on American Foreign Relations*, Vol. 4, (World Peace Foundation, Boston, 1942), p 317.

<sup>141</sup> *United Nations Documents, 1941-1945* p 30.



The structure of the IMF's executive body, the Executive Directors, like that of the World Bank, allows the United States and the other major capitalist countries to subordinate its operations to themselves.

The principles on which the Fund's Articles of Agreement are based are such that the USA has the opportunity to control its operations almost completely, and to direct it at its discretion. Since a country's influence in the decision of matters relating to the Fund's operations is determined by the size of its quota, the USA, having the biggest quota, got the opportunity to exercise a commanding role. In the early years of its operation she had 30.51 per cent of the total votes of all members. The share of the USA and United Kingdom together came to 51.3 per cent of the total votes.<sup>142</sup>

The United States got the chance, through the Fund, of directly influencing the par value of members' currencies. The Articles of Agreement adopted by the Bretton Woods Conference (Art. IV) provided that 'the par value of the currency of each member shall be expressed in terms of gold ... or in terms of the United States dollar',<sup>143</sup> on terms, moreover, favourable to the United States. A country could alter the par value of its currency 'only after consultation with the Fund'.<sup>144</sup> In other words, it was not free to decide this matter without the agreement of the United States. And if it decided to utilise its sovereign right and change the par value of its currency, then 'under the Articles', it would 'be ineligible to use the resources of the Fund',<sup>145</sup> and could 'be required to withdraw from membership in the Fund'.<sup>146</sup>

These facts show that the IMF was conceived from the start as an important lever of the economic and social expansion of capital. The Fund was used, and continues to be used, as a channel for the expansion of American capital on terms essentially dictated by the United States as a means of implementing her foreign policy.

It is not surprising that, among the demands for a reconstruction of international economic relations on a just and democratic basis that have occupied a prominent place in the work of the United Nations and other organisations in recent years, great importance is also attached to reconstruction of international monetary and credit system. The principles of the working of the World Bank and the IMF, outlined above, which are displayed in their concrete transaction are coming more and more into contradiction with the principles of equality and co-operation that have become firmly established in the world thanks to the constructive activity of the diplomacy of socialism, and growth of the authority and might of the anti-imperialist forces.

<sup>142</sup> IMF. *Annual Report of the Executive Directors, 1950* (IMF, Washington, D.C., 1950), pp 104-107.

<sup>143</sup> *United Nations Documents, 1941-1945*, p 33.

<sup>144</sup> *Ibid.*, p 34.

<sup>145</sup> *Ibid.*, p 53.

<sup>146</sup> *Ibid.*, p 54. As happened with Czechoslovakia, for example, in 1954, after it carried out a monetary reform and altered the par value of the koruna, which (it goes without saying) was only an excuse for the Fund's taking such a decision in respect of a socialist country.

### 5.3. Expansion by means of international organisations

The operations of the World Bank and of the IMF were criticised right from the start; one criticism (in the words of the American economist Charles Kindleberger) was 'that the institutions were inadequate to meet the economic problems of the postwar world'.<sup>147</sup> But what adequacy can it be a matter of, when these monetary and credit institutions were established primarily to facilitate the expansion of U.S. monopoly capital? They have endeavoured to force the postwar world's main economic problems into the narrow bed of the class interests of the American monopolies, and to erect the building of the postwar economy on that site on the American model.

The activity of the IMF, and of the World Bank and its affiliates (the International Development Association and the International Finance Corporation), has had a clearly pronounced political character. From the days of their foundation the United States has used the Bank and the Fund to cover the American monopolies' policy of economic and political enslavement of other countries, and to legalise the capitalist principles of business at the level of international organisations, including use of the authority of the United Nations, to grab and develop new markets, subordinate sources of materials to themselves, and extend the sphere of investment.

The first decades of the Bank's operation thus confirmed that not only it did not promote growth of international trade, but, on the contrary, was an instrument employed to disrupt international trade, and to practise discrimination against socialist countries and progressive regimes in developing countries.

The Bank decides all matters, as is clear from its basic documents, not in accordance with how much a country needs a loan but on how the major monopolies deem it expedient to use its resources at a given time, and the main criterion by which they are guided is whether the granting of a loan to a country meets their plans for its economic and political subordination, the extraction of profit, or use of its resources or territory for military preparations. All the Bank's practical activity is subordinated to these requirements.

When we analyse the purpose of the Bank's loans and their geographical distribution and use from its official reports, we find that they are primarily made to countries allowing for the political and military-strategic interests of the monopoly capitalists of the USA and other industrial capitalist countries, and of the biggest corporations, and their drive for maximum profits.

No other person than President Truman said in one of his messages to the Congress, in which he asked for \$7.9 billion to finance the Mutual Security Program:

We shall continue to encourage, to the maximum extent possible, the investment of private capital for economic development abroad, and we shall continue to relate outlays under the Mutual Security Program to the loans

<sup>147</sup> *International Organization* (Boston, Mass.), 1951, 5, 1: 32.



being made by the Export-Import Bank and the International Bank for Reconstruction and Development.<sup>148</sup>

President Truman spoke of the Bank as of an actual branch of Wall Street. He had expressed a similar point of view in September 1951 at the opening of a joint session of the International Bank for Reconstruction and Development and the International Monetary Fund. The U.S. Secretary of the Treasury John W. Snyder, who spoke after President Truman, also called on the meeting to reconcile itself to the idea that the Bank should serve the arms race, a demand that he cloaked with hypocritical phrases about 'defence needs'. Snyder declared that the aims of defence at that time could create special problems for the Bank's development projects, because the defence programme 'competed' with members' ordinary civilian needs.

Hugh Gaitskell, then British Chancellor of the Exchequer, fully supported President Truman and Snyder, and for his part called on the meeting to understand the need to put the Bank at the service of NATO's military plans.

The following facts show what purpose the World Bank in fact served. By the mid-60s the number of members had grown from the original 44 to 106 (July 1967), mainly from among developing countries in Asia and Africa. But the USA and other industrialised capitalist countries, whose share in its capital had only declined slightly in that period, continued to occupy a dominant position in it (see Table 6.17).

Table 6.17

Quotas of Members of the International Bank  
for Reconstruction and Development

Countries	1947		1967	
	\$ million	Per cent	\$ million	Per cent
Industrial capitalist countries	6,672	80.2	17,086.7	74.8
USA	3,175	38.1	6,350	27.8
United Kingdom	1,300	15.6	2,600	11.4
West Germany	—	—	1,280	5.6
France	525	6.3	1,050	4.6
Italy	180	2.2	666	2.9
Developing countries	1,651.5	19.8	5,763.1	25.2
in Asia	1,221.1	14.8	3,179.6	13.9
Africa	56.3	0.8	983.4	4.3
Latin America	334.1	4.0	1,600.1	7.0
Total	8,323.5	100.0	22,849.8	100.0

Source: International Bank for Reconstruction and Development. *Annual Report, 1947-1948* (World Bank, Washington, D.C., 1948); *idem*, *Annual Report, 1966-1967* (World Bank, Washington, D.C., 1967).

<sup>148</sup> *The New York Times*, 7 March 1952.

The whole structure of the Bank's administration and the organisation of its apparatus, as we have already remarked, were calculated to concentrate actual control over all its operations, from the decision of major matters of the granting of loans to the current organisational work of its machinery, in the hands of the USA.

In spite of the change in quotas and ratio of votes, the picture was not, on the whole, altered essentially. Although the share of the industrial capitalist countries had declined to 69.5 per cent in 1967 (from 76.2 per cent in 1947), the major ones still had a decisive role. The share of the USA was 25.0 per cent, that of Great Britain 10.3 per cent, that of France 4.2 per cent. At the same time the Federal Republic of Germany and Japan had received 5.1 and 3.1 per cent of the votes respectively (they were not members when the Bank was founded).

On the whole the number of votes of developing countries had risen — to 30.5 per cent against 23.8 per cent in 1947, the share of Asian countries having increased slightly (14.7 and 13.9 per cent), that of Latin American countries having even declined slightly (8.3 and 8.8 per cent), while African countries' share increased (7.5 per cent against 1.1 per cent in 1947).<sup>149</sup>

The World Bank granted loans mainly to countries whose governments pursued a home and foreign policy that corresponded to the interests of the imperialist powers. In 1961, for instance, it refused Indonesia a loan on the grounds that she had not liquidated her indebtedness to the Netherlands, although she was not, in fact, guilty of incurring the debt.

In 1950 Poland, whose economy had suffered enormous damage during World War II, was refused a loan to restore her national economy. At the same time big loans were made to France, the Netherlands, and certain other West European countries, from which it was obvious that the Bank was guided in its 'financial transactions' by purely political considerations.

The independent home and foreign policy pursued by revolutionary Cuba was the reason for refusing her a loan through the World Bank. In 1961 Cuba ceased to be a member of it.

From the beginning of the Bank's operations, i.e. the end of the 40s, right up to the mid-50s, funds were paid out largely to industrialised capitalist countries and a limited number of developing countries, mainly in Latin America.

According to the figures for 30 June 1958 the World Bank made six loans to the United Kingdom totalling \$493 million, three to France totalling \$267.3 million, five to Italy totalling \$239.63 million, seven to Belgium totalling \$160.8 million, three to the Netherlands totalling \$221.5 million, six to Australia totalling \$317.73 million, eleven to Japan totalling \$454.9 million, ten to Brazil totalling \$182.5 million, ten to Colombia totalling \$106.3 million, and so on.

The big loans of \$250 million to France and \$221.5 million to the Netherlands, made by the Bank in 1947, deserve particular note.

<sup>149</sup> International Bank for Reconstruction and Development. *Annual Reports* for 1947-1948 and 1966-1967 (World Bank, Washington, D.C., 1948 and 1967).



France got this sum in connection with her government's promise to increase military action against the people of Vietnam. The same needs to be said of the Netherlands, which got a loan when she was waging an aggressive war against the Indonesian people. These are two typical examples showing how the Bank's loans were used for aggression by colonial powers against the national liberation movement of the peoples of the East.

Australia received a big loan of \$100 million in 1950 to finance an increase in the production of non-ferrous metals and steel. That loan was made immediately after her government had agreed to send military units to Korea in August 1950 to take part in the aggressive war against the Korean people; she was granted another three loans in 1952, 1954, and 1955, totalling \$158.5 million for the same purpose. Altogether she got six loans totalling \$317.73 million from the Bank between 1950 and 1958.

Brazil received ten loans over that same period totalling \$182.49 million. Use of the loans was made dependent on the Bank's collaboration with the American-Brazilian Commission for Economic Development, set up in accordance with Point 4 of the Truman Program. This Commission, in which American businessmen ran the show, was an instrument by which the Brazilian economy's dependence on the USA was increased, and projects for using Brazilian natural resources in the interests of the American military were carried out. How far these projects influenced the country's economy is clear from the accounts of the Bank itself. Behind the publicity that they produced favourable changes, one can trace a reluctant admission that they were accompanied with a big jump in the budget deficit.

The Bank lent Uruguay \$33 million in August 1950, officially to develop means of communication. The loan was received by the state power and telephone trust and guaranteed by the Uruguayan government. In fact, however, it was intended to strengthen the dependence of Uruguay's economy on the United States. When its terms became known, there were sharp protests from the most varied strata of the Uruguayan public. It ensues from the message of the Uruguayan government to the Congress published in *Diario Oficial* on 17 February 1951, that the agreement with the Bank contained clauses that stipulated the following:

- 1) Uruguay's obligation to give the Bank information on the import of materials from countries other than the USA, and the value of same;

- 2) the Bank's unilateral right to stop payment of the next advances under the loan at its own discretion;

- 3) deprivation of Uruguay of the right to dispose of the property of the trust at its discretion without the Bank's knowledge;

- 4) the obligation of the Uruguayan government, which guaranteed the loan, to give the Bank such information on the country's economic and financial position as it might demand, and to grant its various inspecting teams the appropriate facilities to visit Uruguay.

Even conservative politicians in Uruguay were forced to speak

openly about the fettering terms of the loan and their incompatibility with the principles of state sovereignty.

In the initial period of the Bank's operations its resources were granted to developing countries on a limited scale. At the same time its 'investigatory function' occupied an important place. Before a loan was decided on, a country was subjected to thorough investigation. Dozens of appropriately briefed experts studied the state of its industry, agriculture, and economy as a whole to obtain detailed information, including intelligence data. The investigation led, as a rule, to the Bank's imposing decisions advantageous to American monopolies. Formally that was done through the giving of advice, but in fact the Bank exerted crude pressure on the investigated state. The recommendations, as a rule, contained demands to give up following an independent economic policy, to prohibit the carrying out of progressive socio-economic reforms, to encourage a private capitalist order, and to grant privileges for the penetration and operations of foreign private capital, and so on. The visiting missions tried to impose a trend of economic development favourable for American monopoly capital and militarist circles. The alternative to rejection of these recommendations was quite simply refusal of the loan.

Missions were sent to Ecuador and Costa Rica in 1948 and 1949 to gather information on their economies and various projects for their development. Both of them discussed the order of priority of the financing of the projects with the respective governments. In December 1948 the Bank's president who visited Costa Rica made an effort to get the appointment of a special representative of the Bank as an adviser of the government.

In March and April 1948 Bank missions visited Bolivia and Peru, where they made detailed studies of their economies and of the intended measures which the Bank had been asked for loans to finance.

In November 1948 missions were sent to Guatemala and Paraguay to study their economies and economic development plans. The missions investigated their industry, raw material resources and agriculture in detail.

In 1948 the Bank sent a mission to Venezuela to study her general economic situation. Attention was mainly devoted to her natural wealth, above all oil. The bosses of the Bank were endeavouring to prevent loans being used to the detriment of the American monopolies that occupied a commanding position in the country's oil industry. But the most interesting of all, Venezuela had not requested a loan from the Bank. In 'justification' of its initiative the Bank simply cited its desire to 'assist' Venezuela in the development of its economy.

At the end of 1948 the Bank's president made a tour of countries in Central America and the Caribbean (Dominican Republic, Honduras, Nicaragua, Panama). As a result, a detailed report was presented to the Bank on their economies, raw material resources, and general economic potentiality.

The Bank's president did the same in Cuba in February 1949. The Cuban economy, which had been steered into serving the needs of



American monopolies rather than national ones, was the object of the Bank's intensive attention. The U.S. monopolies employed the Bank so as to preserve the one-sided development of Cuba's economy in the future by subordinating its main sector, the sugar industry, to the American market with its exclusive prices for Cuban sugar.

The Bank had already sent a special mission to Italy in 1947 to study her economy in detail. A second one was sent at the beginning of 1948 for the same purpose; the Italian government, sacrificing national interests, had flung the doors wide open for various kinds of foreign 'investigators'. It was on the heels of these missions that Marshall 'aid' began to be sent to Italy, which paralysed development of her industry. The Bank's missions nevertheless continued to investigate the Italian economy, as will be seen from the visits of special missions in 1950 and subsequently.

Middle Eastern countries were regularly investigated by Bank missions. The economy of Egypt, for example, was studied three times in the course of 1948 and 1949 alone.

In March 1948 a mission was sent to Iran to study her economy, primarily her raw material resources. In June of the same year another mission arrived to observe how the governmental agencies of Iran were working out plans to develop her resources, sent on the pretext of observing what 'progress' had been made in setting up a machinery in Iran to help the Iranian Supreme Planning Bureau.

Iraq was also visited three times by special Bank missions in the course of 1948 and 1949. The economy of Lebanon was twice subjected to such investigation during the same years.

Countries in South-East Asia and the Far East were studied systematically and in detail. The mission that visited the Philippines in 1948 not only presented a very detailed report on the state of her economy but also interfered unceremoniously in her internal affairs by giving 'advice', in particular in connection with projects for building hydro-electric power stations. As a result, they were planned more to serve American military bases in the Philippines than develop the Philippine economy.

In 1949-50 and later several Bank missions visited Pakistan. In all cases they subjected its economy and finances to detailed investigation.

Special Bank missions studied the economies of European countries several times (Belgium, Denmark, France, Luxemburg, and the Netherlands). Typically, these investigations were made not simply to study the expediency of granting loans but also to check on loans already used, which indicated that the Bank's functions had been extended to such limits that investigations had in fact been converted into a permanent business.

The Bank paid great attention to Turkey, whose economy and finances were subjected several times to thorough investigation. On the pretext of promoting the financing of Turkey's industry, it helped set up a bank of industrial development there oriented on the World Bank in its operations. This interest in Turkey was not accidental, since an

important place had been assigned to her in Anglo-American foreign policy plans in the Middle East.

In their recommendations to the Bank on the expediency or otherwise of granting a country a loan, and on the terms of a loan, the investigating missions to developing countries invariably included recommendations on the need to maintain the agrarian-raw material character of their economies. The American monopolies were straining to prevent independent development of their industries, and to keep them as dependent appendages.

The list of such facts could be extended, but those cited are sufficient to give a picture of the Bank's aims and of the methods it used to subordinate the economies of members to standards suitable to monopolistic circles.

In the mid-50s the Bank considerably reduced loans to industrial capitalist countries. From then on developing countries were its chief debtors, as will be seen from Table 6.18.

The upsurge of the people's national liberation movement, and the break-up of imperialism's colonial system, gave rise to serious disquiet in U.S. financial and monopolistic circles. The government administration endeavoured to open new channels so as to consolidate the developing countries' dependent position established during the colonial period, and widely employed the World Bank to infiltrate them by U.S. capital. The Bank's practice indicated that private monopoly capital resorted more and more to direct involvement in the financing of various projects abroad on a basis of 'joint collaboration' with the Bank or of 'participation' in loans made by it. This 'co-operation' was one of the Bank's paramount jobs, since it facilitated infiltration of other countries' economies by U.S. private capital under its aegis.

It is not out of place here to note that the Bank's organisers tried to secure it a good commercial income. Its loans, which were as a rule long-term, carried high rates of interest, which were constantly rising.

The USA got a double gain from that: (1) directly from the Bank's high interest rates; but mainly (2) from maintenance of the market for loan capital at a level advantageous to her. Since she was the main creditor country of the capitalist world in the first postwar decades, and Great Britain and France were her debtors, it was primarily American monopolies that gained from the high interest rates.

This throws light on the interest that American financial circles displayed at the time in the Bretton Woods Conference, and on the various disagreements then among the different countries about the Bank's functions. It was those circles that insisted that its main job was to lend money by guaranteeing loans obtained from private sources. The fact that it advanced loans mainly from resources formed by the payments made by countries in accordance with their quotas was the result of an understanding between the U.S. government and American financial groups, which preferred to push the government forward as a creditor, either directly or through the World Bank.



Table 6.18

**Geographical Distribution of World Bank Loans  
in 1947-1967**

Region and country	1947-56		1957-67		1947-67 (total)	
	\$ million	Per cent	\$ million	Per cent	\$ million	Per cent
Western Europe	832.8	39.5	1,284.4	15.6	2,117.2	20.5
Italy	50.1		347.9		398.0	
France	250.0		—		250.0	
Netherlands	221.5		15.0		136.5	
Finland	41.1		180.5		221.6	
Africa	249.2	11.8	1,097.8	13.3	1,347.0	13.0
South Africa	115.8		126.0		241.8	
Nigeria	—		185.5		185.5	
Sudan	—		105.0		105.0	
Asia	279.3	13.2	3,236.1	39.3	3,515.4	34.0
India	96.1		902.2		998.3	
Japan	41.8		815.2		857.0	
Pakistan	50.5		374.5		425.0	
Iran	—		288.1		288.1	
Australia and New Zealand	258.5	12.3	261.3	3.2	519.8	5.0
Latin America	488.1	23.2	2,354.6	28.6	2,842.7	27.5
Mexico	124.0		501.1		625.1	
Brazil	162.7		333.4		496.1	
Colombia	72.9		382.7		455.6	
<b>Total</b>	<b>2,107.9</b>	<b>100</b>	<b>8,234.2</b>	<b>100</b>	<b>10,342.1</b>	<b>100</b>

Source: International Bank for Reconstruction and Development. *Annual Report, 1966-1967* (World Bank, Washington, D.C., 1967).

The Bank, while providing favourable conditions for foreign private enterprise in developing countries, takes decisions about loans in accordance with how American monopolies consider it expedient at any moment to employ its funds.

The industrial structure of the Bank's loans is evidence of the monopolies' reluctance to permit the establishment of a national industry in debtor countries, and to maintain their role as agrarian-raw material appendages of the economies of industrial capitalist countries, above all of the USA's. The facts show that its funds were directed mainly to the development of borrowers' energy economies and the building of infrastructural facilities, which largely eased, on the whole, the entrepreneurial activity of U.S. private capital abroad, especially in developing countries (see Table 6.19).

Table 6.19

**Industrial Structure of IBRD Loans  
(at 30 June 1967)**

Purpose	Total loans		Including					
	\$ million	Per cent	Africa	Asia	Latin America	All developing countries		Europe and Australia
			\$ million			\$ million	Per cent	\$ million Per cent
Electric power	3,588.9	34.7	428.3	597.9	1,619.3	2,645.5	39.9	943.4 25.4
Transportation	3,446.0	33.3	322.7	1,047.9	740.3	2,110.9	31.9	1,335.1 35.9
Telecommunications	128.2	1.2	22.2	—	105.8	128.0	1.9	0.2 —
Agriculture, forestry and fishing	802.4	7.8	95.1	282.4	233.6	611.1	9.2	191.3 5.1
Industry	1,596.7	15.4	193.0	638.4	110.2	941.6	14.2	655.1 17.6
Water supply	52.2	0.5	—	27.0	21.3	48.3	0.7	3.9 0.1
Education projects	24.3	0.2	—	12.0	12.3	24.3	0.4	— —
Engineering loans	1.7	...	1.7	—	—	1.7	—	— —
General development	205.0	2.0	40.0	75.0	—	115.0	1.7	90.0 2.4
Reconstruction loans	496.8	4.8	—	—	—	—	—	496.8 13.4
<b>Total</b>	<b>10,342.1</b>	<b>100.0</b>	<b>1,007.8</b>	<b>2,680.6</b>	<b>2,942.8</b>	<b>6,626.3</b>	<b>100.0</b>	<b>3,715.8 100.0</b>

Source: IBRD and IDA. *Annual Report, 1966-1967* (World Bank, Washington, D.C., 1967), pp 66-67.

The international financial organisations that were at the disposal of American financial and industrial capital came to include the International Finance Corporation (IFC) in 1956 and the International Development Association (IDA) in 1960.

Already the IFC's first annual report hypocritically stated that its job was to further the economic development of underdeveloped members through investments (without government guarantees) in productive private undertakings with the participation of private investors who could ensure competent management. The IFC thus did business directly with private entrepreneurs without government interference, since the Articles of Agreement of the World Bank did not permit its direct participation in the capital of enterprises to which it lent money. The IFC made investments in private undertakings jointly with private investors, stimulated private investment, and encouraged development of a capital market in developing countries. This activity was inseparable from another objective of importance to international corporations,



viz., to promote a flow of private capital from industrial countries to developing nations by the methods that did not fit into the procrustean bed of the World Bank's purely market principles.

The IFC concentrated mainly on projects in developing countries. It was, in essence, an investment bank rather than a loan institution.

The IFC had agreements from the outset of its operations to the middle of 1967 on the financing of 106 undertakings totalling \$196.1 million, the main recipients being in Latin American and Asian countries.

In spite of the limited character of the IFC's operations, one can confidently say that they were meant to facilitate the infiltration of countries' economies by foreign private capital, mainly American, since its investments were a probing, and guarantee of sorts, of the advantageousness of private capital's direct involvement in an undertaking abroad. As with the World Bank, the USA had a decisive role in the IFC (around 40 per cent of the total capital and nearly 35 per cent of the votes).<sup>150</sup>

As for the International Development Association, its founding was associated on the one hand with the U.S. intentions to make the World Bank's operations more attractive for developing countries and, on the other hand, reflected the growth of their demands for an easing of the terms of the Western 'aid' granted to them.

Unlike the World Bank, the IDA made loans to developing countries on privileged terms. The main source of its funds was the subscriptions of its member countries.

The bulk of the money lent was intended for the building of infrastructure facilities.

The IDA officially made interest-free loans for periods up to 50 years. By 1966 it had concluded agreements on loans totalling \$1,694.2 million, from which Asian countries received \$1,269 million (74 per cent), African countries \$235.7 million (17.4 per cent), and Latin American countries \$108 million (6.4 per cent) (see Table 6.20).

The facts on the joint transactions of the World Bank and its affiliates, the IDA and IFC, show that the Bank and its huge apparatus making broad 'investigation' and painstaking studies of the objects of the application of capital, operated as a kind of 'camouflage' for American private capital probing the way for it, and broadening its sphere of application, with all the consequences stemming from that for the recipients of 'aid'. That state of affairs quite suited American business circles, of course.

Characteristically, the former president of the World Bank, George D. Woods, stressed that the Bank had 'no more important task' than to arrange the appropriate institutions in developing countries, adapted to local conditions, that could improve 'the management of economic affairs', and introduce the appropriate technologies and standards.<sup>151</sup>

<sup>150</sup> International Finance Corporation. *First Annual Report, 1956-1957* (World Bank, Washington, D.C., 1957), p. 17.

<sup>151</sup> H.R. Committee on Science and Astronautics. *Applied Science and World Economy* (U.S. Govt. Printing Office, Washington, D.C., 1968), p. 1.

Table 6.20

Geographical Distribution of IFC Investments  
(biggest recipients)

Country	Number of undertakings	Total investment, \$ million	Country	Number of undertakings	Total investment, \$ millions
Africa	13	26.8	Latin America	55	95.3
Kenya	1	2.9	Argentina	5	13.7
Morocco	2	2.9	Brazil	9	33.0
Senegal	1	3.5	Chile	4	10.3
Tanzania	1	4.7	Colombia	13	14.9
Tunisia	2	4.1	Mexico	7	6.2
Uganda	1	3.5	Peru	6	8.9
Asia	25	57.4	Venezuela	5	5.5
India	10	23.4	Western Europe	13	16.6
Pakistan	7	17.8	Finland	4	2.9
The Philippines	1	12.0	Greece	4	6.3
Australia	2	1.0	Italy	1	0.9
			Spain	2	3.9

Source: International Finance Corporation. *Annual Report, 1966-1967* (World Bank, Washington, D.C., 1967).

However much American capitalist propaganda tries to depict the Bank as an agency of international co-operation designed to aid developing countries, it was in fact, and remains, an instrument of a policy of expansion pursued in the interests of American monopoly capital, which plays the determinant role in it. To prove the thesis that the funds of the World Bank and its affiliates are a source of aid to developing countries, Western economists talk about certain outlays, and even financial losses, since these institutions have to deal with economically unreliable and socially unstable clients. But such is life: the Bank has had occasion to be confronted with such facts, and they are probably inevitable.

The USA has been trying to exploit the transactions of the International Monetary Fund to the same end, viz., to broaden the expansion of her monopolies, and has attached great importance to it right from the outset.

When the Fund was being established, more than half of the total number of votes was assigned to the USA and United Kingdom. Subsequently, as new members joined (107 in 1966), mainly developing countries, the distribution of votes was altered, and at the end of 1966 the votes of the USA and United Kingdom made up 33 per cent of the total. But the industrialised capitalist countries, above all the USA, have the biggest number of votes in the Fund, which gives them a commanding role in its transactions; retaining a dominant position they could in fact exercise a right of 'veto'.



The data given in the IMF's annual reports show that its credit transactions had a comparatively limited character from 1 March 1947 (i.e. from the start of its currency bargains with members). In 1947-8 its bargains came to a total of \$544 million. In 1948-9 they were 110.4 million, in dollar terms, and in 1949-50 only 51.8 million.

In spite of the fact that many members of the Fund were experiencing severe monetary and financial difficulties, its credit transactions subsequently had a limited character. From the beginning of its doing business up to 1955 it made loans to 25 countries totalling \$1.16 billion (when the number of members was 55). This meant that most of the countries did not get anything from the Fund. In the years following, the position did not change substantially. Analysis of the Fund's currency transactions indicates, in particular, that it was guided in the geographical distribution of its loans (see Table 6.21) primarily by U.S. military-strategic plans and the vested interests of American monopoly capital.

Table 6.21

**International Monetary Fund Loans**  
(\$ million)

Countries	Total	1947-1956	Per cent	1957-1966	Per cent
Europe and USA	8,127.3	1,139.1	59.7	6,988.2	63.5
Japan, Canada, Australia, South Africa, New Zealand	627.7	184.0	9.6	443.7	4.1
Asia (less Japan)	1,825.2	281.0	14.7	1,544.2	14.0
Africa (less South Africa)	418.7	18.6	1.0	400.1	3.6
Latin America	1,910.6	286.3	15.0	1,624.3	14.8
Grand total	12,909.5	1,909.0	100	11,000.5	100

Source: *International Finance Statistics*, 1960, 13, 12;  
*Idem*, 1967, 20, 2.

In fact 70 per cent of the total of the IMF's loans between 1947 and 1956 went to industrial capitalist countries. In the next decade their distribution remained as before.

The currency in which IMF loans were made was quite clearly of paramount importance (see Table 6.22). According to its official figures, around 92 per cent of all the 1947-58 loans were in U.S. dollars.

Table 6.22

**Ratio of Currencies in IMF Loans at the End of the 1950s**

Currency	Total of loans		Currency	Total of loans	
	\$ million	Per cent		Per cent	\$ million
Dutch guilders	5.0	0.1	West German marks	26.4	0.9
Belgian francs	11.4	0.4	Pounds sterling	191.7	6.4
Canadian dollars	15.0	0.5	U.S. dollars	2,766.7	91.7

Source: *International Monetary Fund. Annual Report, 1957-1958* (IMF, Washington, D.C., 1958).

The task of stabilising currencies was undertaken in a spirit advantageous to U.S. monopoly capital. The Fund's annual report for 1947-8, for example, said that the Executive Directors had reviewed their position in regard to the use of its resources 'in the light of such a new and important event as the aid provided under the European rehabilitation programme', and further that they recognised the expediency of recipients of 'aid' applying to the Fund to buy U.S. dollars only in exceptional cases.

The authors of the IMF's reports, invariably approved by a majority of its members under U.S. pressure, tried to give this idea a 'theoretical' substantiation of sorts, asserting that the Fund did not have any intention at all of insisting on maintenance of old rates of exchange since that would be an 'empty gesture'. They tried in every way to prove that it was impossible to stabilise currencies when there was a rise in prices, and that a depreciation of money was often inevitable. Naturally, however, the reasons for this instability were not named, in particular the expansion of foreign capital, militarisation of the economy, and obstacles to the carrying out of the democratic reforms that the broad masses of the working people were demanding.

In 1949 the IMF was openly advocating devaluation of the currencies of many capitalist countries, from which the USA above all benefited. In justification of this step the Fund usually put up the argument that the West European countries could expect an increase in their exports to countries in the Western hemisphere only when the goods they exported did not compete in price on markets where the dollar competed. That idea was persistently worked out into its reports, in which devaluation was characterised, against the fact, as an important means of developing trade between countries. It was 'forgotten', however, that devaluation in relation to the dollar gave an additional stimulus to the export of American capital.

The IMF acted as the lackey of U.S. monopolies in supporting devaluation of the currencies of roughly 30 countries in the first postwar decade. Devaluation led to a further lowering of the people's standard of living, because the capitalists of France, Great Britain, and other coun-



tries strove to shift its whole burden onto the working people. All that gave American monopolies billions of new profits; having imposed a new rate of exchange in relation to the dollar onto the currencies of dozens of countries, they altered the ratio of the prices of those countries' exports steeply in their own favour.

Certain countries, moreover, had already introduced new restrictions in the early postwar years. The IMF repeatedly noted that there was no general desire to weaken currency restrictions and that new ones had even been introduced in several countries.

The IMF thus by no means helped members to stabilise their currencies, develop their foreign trade, and settle mutual accounts among themselves. Being an instrument of the American monopolies, it served their enrichment entirely, and furthered the expansionist foreign policy of the USA.

It is indicative that the Fund often took discriminatory steps against the Soviet Union and other socialist countries, although this damaged the foreign trade of countries of the capitalist market, and international economic relations in general. In other words, this discrimination led to results directly opposed to the aims of developing equal co-operation proclaimed as a basic aim of its operations at the Bretton Woods Conference.

A result of the policy of discrimination followed by the IMF was Poland's forced withdrawal. In its statement of 13 March 1950 on withdrawal from the Fund the Government of the Polish People's Republic said:

Practice however has shown that the International Monetary Fund has failed to fulfil its duties. The Fund became instead a submissive instrument of the Government of the United States, whose economic and political expansion is in direct contradiction to the purpose to be served by the Fund. Due to its attitude in respect to the selfish policy of the United States Government, the Fund cooperated with the United States Government, which lately forced upon a number of member countries the devaluation of their currencies.<sup>152</sup>

The Fund's decision in regard to Czechoslovakia was mentioned above.

The exacerbation of currency problems in West European countries, and the ineffectiveness of the IMF's measures to regulate them, led to the setting up of the European Payments Union (EPU) in 1950, with the aim of opening short-term credits for its members to cover an adverse balance in their mutual accounts. This Union had a leading place in the system of measures for the expansion of U.S. monopoly capital. Although it did not last long, its operations merit attention because they throw additional light on the methods of expansion employed by the USA.

Formally, only European countries became members of the EPU, which was established as an appendage of the Marshall Plan. In fact,

<sup>152</sup> International Monetary Fund. *Annual Report, 1949-1950* (IMF, Washington, D.C., 1950), p 102. Attention is drawn to the great political importance of this document in C.P. Kindleberger's article 'Bretton Woods Reappraised' in *International Organization*, 1951, 5, 1: 32.

however, as regards its main aims, the United States was a member, although formally outside the Union.

The idea of founding this organisation was first put forward in December 1949 by the American representatives on the Council of the Organisation for European Economic Co-operation (OEEC) known since 1960 as the Organisation for Economic Co-operation and Development—OECD. Paul Hoffman, the then administrator of the Marshall Plan, speaking at a session of the Council, suggested the establishment of a broad common market in Western Europe within which all the restrictions, currency barriers and customs tariffs would be ultimately abolished.

The initial steps associated with the founding of the EPU already left no doubt about what its American initiators were striving for. The resolution adopted by the OEEC Council said directly that all OEEC member countries should abolish, as soon as the inter-European payment system begins to operate, quantitative restrictions at least to the amount of 60 per cent of each country's imports from other OEEC members. It also said further that the abolition of restrictions should apply to foodstuffs, raw materials, and manufactures. From the very outset the American monopolists set the newly created organisation the task of promoting an increase of American exports to Europe at the expense of the goods of West European countries.

The European countries' lack of the necessary gold reserves to cover their balance of payments deficits, and their striving to achieve equilibrium in their balance of payments through a mutual regulation of exports and imports on a basis of bilateral payments, reduced many countries' opportunities to buy American goods. One of the aims pursued by the USA in getting the EPU established was to free European countries' gold and dollar reserves to a maximum so that they could buy American goods. A special system of loans to countries with an adverse balance of payments from a fund formed by payments in accordance with a scale of quotas was introduced, and also a system of accounts between the Union and its members.

The agreement on setting up the EPU, adopted on 1 July 1950 by the OEEC Council, said that its purpose was to facilitate, by way of multilateral system of payments, the regulation of all transactions between the currency areas of member countries, which are permitted by the relevant authorities in accordance with their policy on currency transfer, and thus help member countries in implementing the OEEC's decisions on questions of trade policy and trade liberalisation.<sup>153</sup>

It was already quite clear, however, at the beginning of the EPU's operations, that its tasks as officially formulated were not being met. Restoration of equilibrium in West European countries' trade was not, in fact, achieved. Several countries' adverse balance in their accounts with the Union was chronic, that is why they resorted more and more frequently to covering their deficits by gold.

<sup>153</sup> See *Documents Relating to the European Payments Union*, London, 1950.



The imbalance of members' trade and payments, which had arisen after the war, became even greater in 1956-7. As before the members were divided into two groups, those with chronic adverse balances of payments (headed by the United Kingdom and France) and those with a chronic active balance (headed by West Germany). France had the biggest deficit of payments with the EPU in 1956, viz., \$653.8 million. Great Britain's adverse balance rose from \$231.1 million in 1955 to \$269.4 million in 1956 (see Table 6.23).

Table 6.23

Net Surplus or Deficit of EPU Members in 1955 and 1956  
(\$ million)

Country	1955	1956	Country	1955	1956
Austria	-78.8	+9.6	Norway	-46.1	+15.8
Belgium and Luxembourg	+162.0	+213.2	Portugal	-44.0	-29.5
Denmark	-41.9	-26.4	Sweden	-16.4	+30.5
France	+131.9	-653.8	Switzerland	-67.6	-45.9
Greece	+52.8	+2.4	Turkey	-41.0	-24.2
Holland	+64.8	-94.2	United Kingdom and Ireland	-231.1	-269.4
Iceland	-3.4	-3.9	West Germany	+360.8	+999.9
Italy	-190.6	-112.5			

Source: *International Finance Statistics*, 1957, 10, 4: 12.

The EPU's operations, which were ultimately based mainly on the interests of American monopolies, led to a deepening of the contradictions between its members, and between them and the USA.

During the period of the agreement on the EPU, it is true, its West European members increased the volume of their foreign trade with each other and other countries, but the increase was achieved at the price of increasing their trade's dependence on the American market, exhaustion of their gold and dollar reserves, and growth of the deficits of the main members (the United Kingdom and France) in their accounts with the Union because of their imports of strategic raw materials in order to carry out their arms programme.

The Council of the OEEC had to admit more than once that the EPU was unable to perform the tasks officially set it. At its session in March 1952, for instance, it adopted a decision on the need to commission experts to study the domestic position in each of the Union's members, so as to outline ways of improving its operations (since it was recognised that these did not correspond to the aims set it).

From the standpoint of the West European countries the EPU did not cope with the problems facing their economies, but increased their dependence on the USA further.

The Union's operations not only did not improve the capacity of Britain and France to resist American competition, but weakened it even more. The EPU also struck a new blow at the pound, since its unit of account was based on the gold content of the American dollar.

Insofar as the EPU promoted a growth of trade it was a means of intensifying the arms race, because the increase came about, as a rule, through a growth of purchases of strategic raw materials. The Union was used by U.S. monopolies to block the establishment of normal commercial and economic relations between states on the principles of equality and mutual benefit.

All that showed what the EPU's real purpose was, and what aims its initiators pursued.

After the EPU ceased to function, the IMF stepped up its advances to West European countries that were experiencing an acute 'currency hunger'. Particularly big loans were advanced in the mid-60s. In the period 1964-6 alone European countries received loans totalling more than \$4 billion from it.

The aggravation of the monetary and financial contradictions of the capitalist world brought out the insolvency of the West's system of monetary and financial relations established after World War II. The mess of the Bretton Woods monetary system faced capitalist countries with the task of working out and adopting other principles for the functioning of the monetary machinery. This system was a part of the post-war world that the U.S. monopolies had tried to build on a model advantageous to themselves. The breakdown of such an important link as the monetary system reflected the instability and crisis of the whole system based on the hegemonist claims of American monopoly capital. Kindleberger, already quoted above, recognised this, remarking that 'by the unfair test of maximum hopes, the Fund and the Bank have clearly failed'.<sup>154</sup> Thus, he considered that test 'unfair', though it is not clear why it is necessary to judge such financially powerful, loudly advertised institutions by a reduced standard.

There were various reasons for the crisis of the Bretton Woods scheme both on the economic plane (private capitalist recipes could not provide solutions to the pressing problems of the development of the world economy and international economic relations, and did not allow for the tasks posed by the level and depth of the internationalisation of economic affairs reached in the mid-1960s) and on the political plane (capital was trying to rule without allowing for the changes that had been made on the map of the world and within separate capitalist countries). But the main cause was that the American monopolies and their strategy did not take into account the growth of revolutionary transformations in the world under the impact of the October Revolution of 1917 in Russia, and continued to think and act according to unhistorical recipes, whose fallaciousness had long before been confirmed. U.S. monopoly capital persisted, in its drive for world hegemony, in 'not noting' that the historical initiative was already in the hands of socialism.

<sup>154</sup> Charles P. Kindleberger. *Art. cit.*, p 33.



The Soviet Union has consistently stood for the development of international co-operation on a genuinely equal and mutually beneficial basis. Meanwhile, the principles underlying the functioning of the monetary and financial institutions considered above proved that their keystone was a guaranteeing of the interests of monopolies and the extended expansion of capital. Life confirmed the correctness of the estimate and forecasts already made about the World Bank and IMF, when they were being founded. The functioning of capital's monetary and credit institutions has been evoking justified criticism in many countries, in spite of their considerable broadening and the various manoeuvres designed to hide the inequitable nature of their operations.

## TODAY'S MAIN FEATURES OF U.S. CAPITAL EXPORTS

### §1. Significance and scope of capital exports in the strategy of American imperialism

The speed-up of U.S. capital's expansionist activity in present-day conditions reflects Big Business' striving to maintain its dominant position in the world capitalist economy. At the present stage of the general crisis of capitalism, when its economic instability has obviously aggravated, the unevenness and spasmodic character of the development of imperialist states has increased, while dozens of new states have appeared in Asia, Africa, and Latin America that are making decolonialisation in the economics sphere the keystone of their home and international activity, the USA has begun to attach special significance to ensuring itself leadership in the capitalist world by intensifying the exploiter character of the export of capital.

It is not excluded, incidentally, that U.S. capital, as before, does not stop at utilising all the means available to her, including military ones, to guarantee favourable spheres and conditions for its functioning. So it was in Indochina, where the American military provoked a long, murderous war. So it is happening now in Central America, where direct intervention in the affairs of El Salvador has not ceased, and continuous encroachment on the independence of Nicaragua is reported. In the Middle East the tense situation created by the Israeli aggressors is maintained by means of increasing deliveries of American weapons. There is unrest as well in other areas of the globe, and it is not difficult to spot the drive of U.S. imperialism to ensure itself stable economic, political, and military positions in order to make enormous profits, especially at the expense of its rivals.

The 24th Congress of the CPSU stressed that

the contradictions between the imperialist states have not been eliminated either by the processes of integration or the imperialists' class concern for pooling their efforts in fighting against the socialist world. By the early 1970s, the main centres of imperialist rivalry have become visible: these are the USA—Western Europe...—Japan. The economic and political competitive struggle between them has been growing ever more acute. The import bans imposed by official U.S. agencies on an ever growing number of products from Europe and Japan, and the European countries' efforts to limit their exploitation by U.S. capital are only some of the signs of this struggle.<sup>1</sup>

The change in U.S. imperialism's positions in economic rivalry with Western Europe and Japan, its loss of full hegemony in the sphere of international trade and other forms of economic relations, leads to growth of the aggressive character of U.S. capital exports, which is displayed in a gross breach of the fundamental standards of international

<sup>1</sup> 24th Congress of the Communist Party of the Soviet Union, March 30–April 9, 1971. Documents (Novosti Press Agency Publishing House, Moscow, 1971), p. 20.



intercourse, flouting of the elementary principles of equality, undermining of the foundations of the national sovereignty, freedom, and independence. The increased unevenness in the development of the most developed capitalist countries is an essential factor in the growth of aggressiveness in the sphere of capital exports.

The export of capital has been playing a significant role in the foreign economic policy of U.S. imperialism in recent decades. Moreover, a high degree of monopolisation is typical of American capital. Suffice it to say that at the beginning of the 70s, more than 70 per cent of all U.S. overseas private investments belonged to 187 corporations<sup>2</sup> while the share of companies with assets of more than \$250 million each (they constituted less than 0.07 per cent of all companies in the USA) came to nearly 84 per cent in the total profits from operations abroad.<sup>3</sup>

Among the factors decisively influencing accelerated export of capital at present one can distinguish a further concentration and centralisation of production and capital in the USA, intensification of the impact of scientific and technical progress, and a sharpening of the inter-imperialist struggle for markets, sources of primary commodities, and spheres of application of capital. The relative contraction of the U.S. positions in the capitalist world economy, which continued during the 70s, has also affected the process of capital's expansion.

Table 7.1

Selected Growth Rates of Gross National Product (percentage changes)			
Year	USA	EEC	Japan
1960-73 average	4.2	4.7	10.5
1975	-1.1	-1.2	1.4
1976	5.4	5.0	6.5
1977	5.5	2.4	5.3
1978	4.8	3.3	5.1
1979	3.2	3.4	5.6
1980	-0.2	1.1	4.22

Source: *Economic Report of the President, 1982 and Annual Report of the Council of Economic Advisors* (U.S. Govt. Printing Office, Washington, D.C., 1982), p 355.

<sup>2</sup> See V. V. Shcherbakov, Yu. I. Yudanov. *Eksport kapitala v usloviyakh dalneishego obostreniya obshchego krizisa kapitalizma* (Export of Capital under the Further Sharpening of the General Crisis of Capitalism), Vysshaya Shkola, Moscow, 1981, p 13.

<sup>3</sup> Peggy B. Musgrave. *Direct Investment Abroad and the Multinationals*. Effects on the United States Economy. Senate Subcommittee on Multinational Corporations of the Committee on Foreign Relations (U.S. Govt. Printing Office, Washington, D.C., 1975), p 12.

Table 7.2

Selected Indexes of Industrial Production, 1970 to 1980 (1967 = 100)			
Year	USA	EEC	Japan
1970	108	123	152
1975	118	133	164
1976	131	143	182
1977	138	146	190
1978	146	149	201
1979	153	157	218
1980	147	155	233

Source: *Statistical Abstract of the United States, 1981* (U.S. Govt. Printing Office, Washington, D.C., 1981), p 883.

The USA is still the main capitalist power, retains leadership in the most important sectors of the economy, especially in science-intensive ones, has the highest absolute level of labour productivity among capitalist countries, and is the main exporter of capital. At the same time West European countries and Japan continued to overtake the USA in rates of growth of fixed productive capital and investment in their economies, on the one hand, and of their gross national product (GNP) and volume of industrial production, on the other (see Tables 7.1, 7.2, and 7.3).

Table 7.3

Mean Annual Growth Rates of Labour Productivity in the Manufacturing Industry of Selected Countries  
(percentage changes)

Country	1970-75	1975-80	Country	1970-75	1975-80
Japan	6.7	7.9	Canada	3.1	2.5
France	4.6	5.1	Great Britain	2.7	1.9
Italy	4.6	4.9	USA	3.4	1.6
West Germany	5.4	4.2			

Source: as for Tables 7.1 and 7.2.

Table 7.4

Capitalist World's Exports, 1965-1981  
(per cent)

Country	1965	1970	1975	1980	1981	Country	1965	1970	1975	1980	1981
USA	14.6	13.7	12.3	11.0	13.0	Great Britain	7.3	6.2	5.1	5.8	...
EEC	34.5	35.9	34.0	33.6	41.5	France	5.4	5.8	6.1	5.7	5.7
West Germany	9.5	10.9	10.3	9.7	9.9	Japan	4.5	6.1	6.3	6.4	8.6

Calculated from *Economic Report of the President, 1981 and Annual Report of the Council of Economic Advisors* (U.S. Govt. Printing Office, Washington, D.C., 1981), p 350, and the supplement on the economic position of capitalist and developing countries to *MEMO*, 1982, p 81.

There has been a marked increase in recent years in the anxiety of U.S. business and the Administration over the decline in growth of productivity. This decline is due to the effect of various factors, among them lack of domestic investment, and the depreciation and obsolescence of fixed assets. According to some estimates, 35 per cent of the industrial equipment, for instance, has been in use for more than 20 years.

A deterioration of the USA's economic position is also traceable by other indicators than 'domestic' ones. The following estimate of its evolution, made by Gus Hall, General Secretary of the Communist Party USA, is typical:

After the Second World War the United States emerged as the dominant world power... US banks and corporations penetrated the economies of the capitalist countries that had become weakened and ravaged by war...



The fact is that in the early post-war period US imperialism not only had plans but more than any other power in history it succeeded in gaining dominance and control over the economy in more areas of the world than any other power. Hitler never achieved anything like what US imperialism did after the war.

But ... about ten to fifteen years ago the so-called 'American Century' began to unravel, to fall apart and a domino trend set in. Eisenhower spoke about the domino trend that was moving against the interests of US imperialism.<sup>4</sup>

In the 70s there was an increase in U.S. activity in the struggle for an economic partition of the world in accordance with 'capital and strength', which reflected the drive of U.S. ruling circles to get back their lost positions in the world economic relations of modern capitalism. While in 1965 the U.S. share in the capitalist world's exports was 14.6 per cent, in 1981 it was 13 per cent (see Table 7.4).

Simultaneously with the decline in the USA's relative weight in exports in the 70s, her trade balance experienced a permanent deficit (with the exception of 1973 and 1975). While this deficit was relatively small in the first half of the 70s there was a marked tendency for it to increase after 1975. According to estimates, the trade deficit rose from \$25.3 billion in 1980 to \$46 billion in 1982.

The USA also has a permanent trade deficit with her biggest partners, Japan and Canada. That with Japan, for instance, was roughly a billion dollars in 1970 and \$10 billion in 1980, while that with Canada was \$2 billion and \$6 billion in the same years. The countries of Western Europe were the sole group that the USA constantly had an active trade balance with: in 1970 her exports exceeded her imports by \$3 billion whereas in 1980 by more than \$20 billion.<sup>5</sup>

Certain West European countries and Japan are gradually approaching the USA in volume of exports. West Germany's exports in particular were 88 per cent of the American exports in 1980, those of the United Kingdom 53 per cent, those of France 52, and those of Japan 58 per cent.<sup>6</sup>

All these factors are intensifying competition between the United States on the one hand and Western Europe and Japan on the other, and are leading both to an acute outbreak of trade wars, and to the introduction of tightened protective measures. But while Western Europe and Japan considerably exceed the USA as regards degree of involvement in world trade, they lose out in the scale of their overseas production based on exported capital. In the mid-70s the value of the product of U.S. foreign enterprises was over 30 per cent of the U.S. GNP, while the same indicator was 25 : 100 for Western Europe, and 11.5 : 100 for Japan.<sup>7</sup>

<sup>4</sup> Gus Hall. US Imperialism in the Real World. *World Marxist Review*, 1982, 25, 1: 15-16.

<sup>5</sup> *BIKI*, 5 January 1982.

<sup>6</sup> Calculated from *Economic Report of the President, 1981*, p 350.

<sup>7</sup> See E. S. Khesin et al. (Eds.). *Zapadnaya Evropa v sovremennom mire* (Western Europe in the Modern World), Vol. 2 (Mysl, Moscow, 1979), p 24; calculated from *Survey of Current Business* (1975, 1976, 1977); U. N. *Monthly Bulletin of Statistics*, 1977-9: 188-190, 218-220, and other works.

It is interesting to compare the dynamics of the growth of overseas production with exports from the home territory: for the USA the ratio altered from 2.7: 1 in 1960 to 5.3: 1 in 1979; for Western Europe from 0.7: 1 to 1.3: 1; and for Japan 0.1: 1 to 1.4: 1.<sup>8</sup> These figures indicate the degree of the real presence of capital of the three centres of imperialism in foreign markets. These positions are ensured, in addition to direct investments, by portfolio investments, whose significance has risen in recent times, the more so that they have been reinforced by supplementary agreements (licences, administrative, selling, etc.).

As regards the unevenness of capitalist countries' economic development (a process that is bringing West European countries and Japan ever closer to the USA in scale of foreign economic expansion), the figures published by the American research organisation, the Conference Board, are of interest. While 58 of the 100 biggest industrial corporations of the capitalist world were American in 1971, 49 were in 1979. American companies also no longer have an absolute majority in the list of the 500 biggest corporations; in 1979 it included 219 American firms, whereas there had been 280 in 1971. Yet the USA was still at the top of the list; then comes Japan with 71 companies, Great Britain with 51, West Germany with 37, France with 27, and Canada with 19. The Conference Board's experts also consider that the sales of the ten major U.S. industrial corporations were roughly 50 per cent higher in 1979 than those of the ten biggest ones of the other capitalist countries. In 1953 these American corporations' sales exceeded those of the other countries by 150 per cent.

This tendency to a change in the USA's place in the world capitalist economy is also noticeable in the banking sphere. In 1978, for instance, only 15 of the 100 biggest banks of the capitalist world were American (they had 15 per cent of these banks' total assets).<sup>9</sup> Among the 50 very big banks with 2,900 overseas branches, subsidiaries, etc., there were ten American ones at the end of the 70s, but this fifth owned one-third of the branches in developed capitalist countries, and two-fifths of those in developing countries. For comparison we recall that 44 of the banks among the 100 biggest were American in 1956 (with 53 per cent of the assets). The trend is obviously similar.<sup>10</sup>

The internationalisation of the money and financial markets has been proceeding more rapidly in recent years than that of production, which is promoted by the growth in the operations of transnational corporations and the mounting role of transnational banks and insurance companies that have accumulated big assets; the recycling of petro dollars plays its role in this process, and also the issuing of marketable securities to cover deficits in balances of payments, including the American

<sup>8</sup> *Ibid.*, p 22.

<sup>9</sup> *BIKI*, 18 April 1981.

<sup>10</sup> We do not allude here to the special problem of the growth of international monopolies in the credit and financial sphere, about which a number of books have been written in recent years. See, for example, I. N. Sysoev. *Ekspansiya transnatsionalnykh bankov* (Expansion of Transnational Banks), Finansy, Moscow, 1979; V. F. Zhelezova, *Klan dvadtsati* (Clan of 20), Mysl, Moscow, 1981.



one. As a result, there has been a further exacerbation of the struggle for markets and spheres of investment between the USA and the other major capitalist powers. The data on the gold and foreign exchange reserves of the West European countries and Japan indicate that some of them can now put up serious resistance to American capital (see Table 7.5).

Table 7.5

Foreign Exchange Reserves of Selected Countries, 1962-1980  
(per cent)

Country	1962	1972	1977	1978	1979	1980
USA	27.4	8.3	6.1	5.4	5.0	5.9
West Germany	11.1	14.9	12.5	14.8	14.3	11.2
France	6.4	6.3	3.2	3.8	5.4	7.2
Great Britain	5.3	3.5	6.6	4.7	5.2	5.0
Italy	6.5	3.8	3.7	4.1	5.3	5.8
Japan	3.2	11.5	7.3	9.2	5.2	5.7

Calculated from *Economic Report of the President, 1981*, p 352.

It is estimated, furthermore, that West Germany's gold and foreign exchange reserves exceeded those of the USA by 180 per cent in 1979, while those of France, Italy, Japan, and the United Kingdom were respectively 7 per cent, 6 per cent, 3 per cent, and 3 per cent higher.<sup>11</sup>

On the whole the 70s made substantial changes in the balance of power among the main centres of modern capitalism. There are good grounds for singling out the first half of the 70s from the years following as regards the imperialist rivalry of the USA and her allies. While there was a clear advance of the West European countries and Japan then (after the 'running start' in the 60s), and a certain retreat of the USA from monopoly positions in various sectors of capitalist economy, the second half of the 70s was characterised by a certain consolidation of the American positions, and a slowing of the economic growth rates of Western Europe and Japan. After the increase in the number of members of the Common Market in 1972, the United States was opposed by a broader economic grouping in Europe, which came close to her in GNP, and considerably surpassed her in both its position in world capitalist trade, and share in the production of steel, output of motor vehicles, and growth rates of industrial production as a whole.<sup>12</sup>

The crisis of the capitalist currency and financial system and the resulting failure of the Bretton Woods system, established when the USA ruled the roost among the capitalist countries and intended to guarantee the dollar monopoly as the central currency of the capitalist world, was

<sup>11</sup> Calculated from *Economic Report of the President, 1981*, p 352.

<sup>12</sup> See Yu. Stolyarov and B. Khasin. *The Three Centres of Power in the Economy of Modern Capitalism. MEiMo*, 1984, 1: 42.

Table 7.6

The Structure of Reserve Currencies,  
1975-1981

(percentage at the  
end of the year)

Currency	1975	1976	1977	1978	1979	1980	1981
U.S. dollar	79.4	79.6	79.4	76.9	62.4	55.9	58.4
West German mark (FRG)	6.3	7.0	8.3	9.9	10.4	11.9	11.2
Japanese yen	0.5	0.7	1.2	2.5	2.6	3.3	3.6
Swiss franc	1.6	1.4	2.0	1.4	2.0	2.6	2.5
British pound sterling	3.9	2.0	1.6	1.5	1.7	2.5	2.0
French franc	1.2	0.9	1.0	0.9	0.9	1.1	1.0
Dutch guilder	0.6	0.5	0.4	0.5	0.7	0.8	0.9
Others	6.5	7.9	6.1	6.4	19.3	21.9	20.4

Source: International Monetary Fund. *Annual Report, 1982* (IMF, Washington, D.C., 1982), p 65.

a hard blow to the U.S. position in the world economy. But as the figures in Table 7.6 show, the dollar is still the main currency of the capitalist world, although its position has been weakened.

Around 80 per cent of all international commercial transactions are at present made in dollars, and a gigantic sum between \$500 billion and \$700 billion finds its way into the accounts of the private banks of developed capitalist countries. In the late 70s the dollar's position was unstable; its rate of exchange fluctuated widely between 1976 and 1979, and especially in 1981. The countries of Western Europe, straining to fence themselves off from monetary confusion and to set up a kind of zone of monetary stability, formed the European currency system in 1979 intended to be a new centre of force in the monetary and financial relations of capitalist countries in the future. The USA outwardly supported the idea of creating an economic union in Europe that would ensure a close co-operation in the monetary sphere as a matter of primary importance. But understanding that this system could become a serious counterweight to the U.S. position as the positions of West European currencies were consolidated, and that some of the latter, in particular the West German mark, were beginning to lay claim to the role of international reserve currencies and units of account and payment, American statesmen declared it necessary to study thoroughly the European co-operation in the monetary field so that it should answer the broad interests of the international monetary system.

Table 7.7

Dependence of the Centres of  
Imperialism on Selected  
Imported Materials, 1975  
(percentage of consumption)

	USA	EEC	Japan
Aluminium	84	75	100
Chromium	91	98	98
Cobalt	98	98	98
Iron ore	29	55	99
Lead	11	85	73
Manganese	98	99	88
Nickel	72	100	100
Tin	84	93	97
Tungsten	55	100	100
Zinc	61	70	53
Natural rubber	100	100	100

Source: *International Economic Report of the President, 1977* (U.S. Govt. Printing Office, Washington, D.C., 1977), p 187.



There has been an increase in the role and significance of external economic links for the USA. Soviet economists have been right in saying that it is out of date to think that foreign economic relations are unimportant for the USA just because she has a vast home market, a highly developed scientific and industrial capability, and a wealth of natural resources, and that

the gradual accumulation of quantitative elements of dependence has led to a qualitative change in relations between the American and the world economies, and to a growing dependence of the U.S. economy on foreign economic links as a very important prerequisite of ensuring an extended character of the reproduction process within the country.<sup>13</sup>

These shifts were mainly displayed in an increase in the U.S. economy's dependence on imports of raw materials in the 70s, especially of energy sources, a broadening of foreign trade operations, and a steep increase in investment of capital.

At present the USA has the biggest mineral resources in the non-socialist world, and a highly developed mining industry, and accounts, on the average, for around 20 per cent of the capitalist world's production of industrial minerals. She is one of the biggest producers of certain primary commodities; her share in world capitalist production, for example, is as follows: natural gas—about 63 per cent, coal—49 per cent, molybdenum—46, aluminium—43, refined copper—29, coke—28, lead—27, iron ore—19, nickel—9 per cent. These materials are concentrated in the main in the hands of a limited number of major monopolies.<sup>14</sup> Nevertheless, in the mid-70s the American economy began to be more dependent on imports of many types of industrial material controlled quite often by the same monopolies (see Table 7.7).

In 1975 the USA met 19.3 per cent of her energy needs through imports.<sup>15</sup> The energy crisis increased her dependence on imports of oil; in 1979 they were 51 per cent of all the oil consumed in the USA, but in 1980 they fell to 44 per cent, and in 1981 to 40 per cent. Because of the rise in oil prices, however, the cost of U.S. oil imports was more than \$60 billion in 1979 and around \$80 billion in 1980.<sup>16</sup>

The reduction in supplies of oil to the USA in 1973-4 in connection with the embargo declared by Arab countries caused considerable anxiety in Washington, and this concern was added by fear that the producer countries of other types of primary commodity might follow the Arab states' example. These factors, and those mentioned above, substantially multiplied U.S. monopoly capital's global claims, and gave them a particularly aggressive character.

Most capitalist countries are being squeezed in the vice of crushing inflation, which is growing simultaneously with a decline of production in a number of countries and an increase in unemployment. Monetary upheavals have not been eliminated, and the energy crisis is deepening,

<sup>13</sup> I. D. Ivanov. The Role of Foreign Economic Links in the U.S. Economy. In M. I. Zakhmatov (Ed.). *SShA: vnesheekonomicheskaya strategiya* (The USA: Foreign Economic Strategy), Nauka, Moscow, 1976, p. 27.

<sup>14</sup> See E. V. Bugrov. *SShA: neftyaniye kontserny i gosudarstvo* (The USA: Petroleum Concerns and the State), Nauka, Moscow, 1978, pp. 47-49.

<sup>15</sup> *International Economic Report of the President, 1977*, p. 173.

<sup>16</sup> *Economic Report of the President, 1981*, p. 346.

all of which lays a heavy burden on the shoulders of the working strata of the population. Never, perhaps, since World War II, has capitalism, especially American capitalism, come up against such difficulties in the economy as at present.

The facts indicate that, in the crisis conditions affecting the American economy, stable profits are made only by companies faithfully serving the needs of war industry. In the fourth quarter of 1981, for example, the profits of General Motors (after tax payment) rose by 56.5 per cent compared with the same quarter of 1980, those of McDonnell Douglas by 32.5 per cent. At the same time the earnings of firms making building materials fell by 44 per cent, and of firms producing consumer goods by 15 to 20 per cent at times.<sup>17</sup>

The USA is trying in every way to find the reason for the increasing crisis phenomena and to invent cures for them. But her efforts have been unsuccessful, and not by chance. Bourgeois politicians cannot tell the whole truth about the reasons for these phenomena, or rather do not want to. But the half-truths and deceit are too transparent. The indisputable truth that present difficulties are due, to an enormous extent, to militarisation of the economies of the USA and other capitalist countries and the swelling of their military budgets is hushed up. They are consequently rooted in the policy being pursued by certain circles, viz., that of building up armaments. Gus Hall has stressed that

the crisis deepens because for world capitalism the growth rate is bottoming out. Its reserves are being depleted. Militarization, the tendency of continuous inflation, are features of the deepening crisis. There is a collapse of the capitalist world financial structure. Gold and the currencies of the capitalist countries are being replaced by toilet tissue money. The continuing economic and political instability are all products of the general crisis, but they in turn add their bit to the further deepening of the crisis.<sup>18</sup>

The factors noted above operated toward an expanding activity of the USA in the world economic relations of modern capitalism, within which she was striving intensively to justify her role of political leader of the capitalist countries which she had off-handedly assumed, realise such of her advantages as her obvious scientific and technical superiority over Western Europe and Japan, and draw the Asian, African, and Latin American developing countries into the orbit of her influence. U.S. policy had a decisive impact in stiffening the terms for loans to developing countries (see Table 7.8). As for the developed capitalist countries, the strength of her high scientific and technical capability plus the overseas expansion of American corporations, were essentially her main trump card in the intensifying inter-imperialist rivalry. As for the developing countries, the USA banked on using a set of means in which expansion of investments was combined with many ways of putting pressure on sovereign states (economic sanctions, interference in internal affairs, blockade, boycott, and support of anti-popular forces, reactionary regimes, racism, and apartheid).

<sup>17</sup> *U.S. News & World Report*, 1982, 82, 6: 68-69.

<sup>18</sup> Gus Hall. *The Crisis of U.S. Capitalism and the Fight-Back. Report to the 21st Convention of the Communist Party U.S.A.* (International Publishers, New York, 1975), p. 21



Table 7.8

## Average Term of Public and Private Loans to Developing Countries, 1965-1979

Year	Total obligations (\$ billions)	Average rate of interest	Term of loans, years	Proportion of 'aid'	Year	Total obligations (\$ billions)	Average rate of interest	Term of loans, years	Proportion of 'aid'
1965	7.0	4.0	19.9	40	1977	62.5	6.9	14.0	18
1970	14.1	5.3	19.3	31	1978	81.5	7.9	14.7	14
1975	46.3	6.9	15.4	20	1979	88.0	9.5	14.0	7
1976	57.1	6.8	14.5	18					

Calculated by the Secretariat of UNCTAD from data of the IBRD. See UNCTAD document TD/B/863, Part II, p 97.

In the 70s an increase in foreign investment activity was characteristic of the foreign economic operations of all three centres of modern capitalism (see Table 7.9).

Table 7.9

## Foreign Direct Investments of Developed Capitalist Countries, 1967-1978

Country	1967		1973		1978	
	\$ billion	per cent	\$ billion	per cent	\$ billion	per cent
USA	56.6	50.4	101.3	48.9	168.1	45.2
Western Europe	48.2	42.9	84.8	41.0	158.1	42.5
United Kingdom	17.5	15.6	26.9	13.0	41.1	11.0
West Germany	3.0	2.6	11.9	5.8	31.8	8.5
Switzerland	3.7	3.3	10.2	4.9	27.8	7.5
Netherlands	11.0	9.8	15.4	7.4	23.7	6.4
France	6.0	5.3	8.8	4.3	14.9	4.0
Japan	1.5	1.3	10.3	5.0	26.8	7.2
Canada, South Africa, Australia, New Zealand	6.1	5.4	10.5	5.1	18.8	5.1

Source: United Nations, *Salient Features and Trends in Foreign Direct Investment (ST/CTC/14)* (U.N., New York, 1979), p 60.

The figures in the Table show that, though the American direct investments abroad nearly trebled, the relative weight of the USA in the total of developed capitalist countries' overseas direct investments declined (as we already noted in Chapter 1) from 50.4 per cent to 45.2 per cent. That was due to the fact that West European foreign investments rose at high rates in the period under review (228 per cent over the pe-

riod), and also those of Japan, whose investments abroad rose almost 18-fold.<sup>19</sup>

In the years after World War II the USA placed her bets on a hegemonic policy of moulding the world in her own image and likeness, and on a global *diktat* from positions of strength, and resorted to aggression against Korea and countries of Indochina. But she gradually lost many of the elements of this strength. By the end of the 60s and early 70s she had reached a state of acute economic rivalry with her NATO allies in conditions of a deterioration of her political positions in international affairs, the final chord of which was her defeat in Indochina.

The USA and certain of her allies in aggressive military blocs are resorting to various stratagems in order to camouflage their line in international affairs. At the same time they are striving to present the foreign policy of the Soviet Union in a bad light and to distort its content and aims. Yet the strengthening of the USSR's economic, political, and military positions in conditions of an altering of the balance of power in the world in favour of socialism has been the main general political precondition of the weakening of the USA's international positions.

Day by day the U.S. propaganda machine (official and unofficial) labours to turn the facts inside out. Neither strength nor resources are spared for this purpose in the USA. Those who do it would like to wipe the real events out from the people's memory. Here are some examples.

What was the main decision worked out jointly by the Great Powers who were Allies in the war in order to bring Europe lasting peace and eradicate the roots of aggression forever? It was the Potsdam Agreement of the Victor Powers in the war against fascism, adopted immediately after Hitler Germany was vanquished. But, instead of collective security and co-operation with the Soviet Union on the basis of Potsdam, the USA and other countries of the West forced a splitting of Europe into military blocs and maintained tension in Europe.

The Geneva Agreements of 1954 and 1962 were meant to serve peace in Indochina and guarantee the independence of the peoples of Vietnam, Cambodia, and Laos. The USA took part in the drafting of these agreements and accepted them. But that did not bring the policy-makers in Washington to a stop when they decided to unleash aggression there, the most dangerous and bloody military conflict since World War II. Israel's aggression against her Arab neighbours would have petered out immediately without the support of the USA, or rather would not have been unleashed. Without that support the Israeli extremists would not have decided to flaunt their refusal to carry out the U.N. resolution on freeing occupied Arab territories.

All these examples speak for themselves, and show whose side historical truth is on, whatever space of time one takes—long or short.

In the early 70s it turned out that the USA's Atlantic allies had at times begun to pursue a policy that did not wholly coincide with the

<sup>19</sup> We do not refer here to the special features of the export of monopolies of the certain imperialist countries. For that see: T. Ya. Belous, *Mezhdunarodniye monopolii i vyvoz kapitala* (International Monopolies and the Export of Capital), Nauka, Moscow, 1982, p 141.



American. The acute manifestations of American-West European antagonisms and the rapid economic advance of Japan, which had begun to compete with the USA on world markets, forced the United States to review her foreign political and economic priorities, taking the new political reality into account. The essence of that was well expressed by the American political scientist Richard Barnet, when he wrote that since the mid-60's serious conflicts between the self-defined economic interests of the state and the interests of corporations have developed. To put it in its simplest terms, the costs of maintaining the imperial system began to outweigh the benefits.<sup>20</sup>

And further that

guided as they are by exclusively economic criteria, the corporate managers are coming to see that the pursuit of the national interest through military power threatens corporate property and corporate profits.<sup>21</sup>

This mutual inter-conditionality of political and economic problems in U.S. relations with other capitalist countries was intensified in the 70s, and from time to time took on a conflict character. In the view of G. M. Meier, professor of international economics in the Hoover Institution of Stanford University,

Three recent changes complicate their resolution, however: 1) the politicization of economic issues; 2) the linking of trade, monetary, and development issues; and 3) the loss by the United States of political hegemony and status as a super-economy.<sup>22</sup>

The significance of capital exports for the U.S. economy is distinctly visible when one compares the value of the product made in overseas plants of the companies of developed capitalist countries with the value of these countries' GNP and commodity exports (see Table 7.10).

For 20 years the proportion of American companies' overseas

Table 7.10

Ratio of the Value of the Product of Foreign Affiliates  
to the Value of the GNP and Commodity Exports,  
1960-1979  
(per cent)

Year	Ratio of the value of the product					
	to the value of the GNP			to the value of commodity exports		
	USA	Western Europe	Japan	USA	Western Europe	Japan
1960	10.8	11.3	1.2	265.7	72.3	12.2
1973	22.5	16.7	7.3	414.9	84.5	80.5
1979	40.1	29.1	14.4	527.9	126.1	141.1

Source: cited from Yu. Yudanov. *Present-day Trends and Forms of the Internationalisation of Production and Capital*. MEmO, 1982. 1: 40.

<sup>20</sup> Richard J. Barnet. *Roots of War* (Atheneum, New York, 1972), p 191.

<sup>21</sup> *Ibid.*, p 229.

<sup>22</sup> Peter Guignan and Alvin Rabushka (Eds.). *The United States in the 1980s* (Hoover Institution Press, Stanford, Cal., 1980), p 585.

production in the U.S. GNP had increased by a factor of 3.7. This indicator of the degree of U.S. corporations' involvement in the world capitalist economy is much higher than that of West European and Japanese monopolies. The general tendency of U.S. monopoly capital to infiltrate the economies of foreign countries and to capture production and marketing positions in them is clear from the Table. The export of capital, especially for direct investment, is thus a main means of implementing the USA's major strategic aims in foreign economic policy, viz., to unite all capitalist countries under the aegis of U.S. monopoly capital, to remove all restrictions on the operations of daughter companies and affiliates, and to provide full freedom for the flow of capital within the capitalist system, or rather, as we shall show below, unhindered transfer of profits to the USA and pumping of financial resources out of other countries.

The U.S. struggle to strengthen her economic and political position in the capitalist world has been waged in recent years in conditions of broadening overseas expansion of West European countries and Japan.

It is typical that the U.S. share in the annual increment of the direct foreign investments of developed capitalist countries is gradually declining in spite of the fact that the annual export of capital from the USA has constantly increased in absolute terms (see Table 7.11). This divergence is inevitably leading to a growth of inter-imperialist contradictions.

Table 7.11

Export of Capital from Developed Capitalist Countries  
for Direct Investments Abroad, 1965-1979  
(percentage of the total)

Country	1965	1970	1975	1976	1977	1978	1979
Total, \$ million	7,179	12,059	25,066	24,366	25,816	35,126	47,183
USA	69.8	62.9	56.9	47.7	47.3	46.7	51.0
Western Europe	26.9	30.7	32.4	41.1	42.5	39.4	37.6
United Kingdom	12.0	10.9	9.7	15.6	12.8	13.1	12.3
West Germany	4.3	7.2	8.0	10.1	10.7	10.3	9.8
France	3.7	3.1	4.1	5.0	4.7	5.8	4.3
Italy	2.5	0.9	1.4	0.6	2.1	0.5	1.2
Japan	1.1	3.0	7.0	8.2	6.4	6.7	6.1

Source: United Nations. *Salient Features and Trends in Foreign Direct Investment* (ST/CTC/14) (U.N., New York, 1980), p 70.

## \$2. American investments in Western Europe, Canada, and Japan

The export of U.S. capital has especially been displaying the parasitic features of modern capitalism in general, and of American capitalism in particular, to an even greater extent than before, in recent years. Amer-



ican imperialism is resorting more and more broadly, so as to maintain its economy at a certain level, to the arms race, to an ever greater diversion of material resources to non-productive ends, broad foreign economic expansion, while the export of capital is being converted more and more into an instrument of military preparation and intensification of the exploitation of other countries and nations by American monopolies, which once more indicates the historical doom of the capitalist system, a doom stemming from the objective laws of the development of capitalism. No propagandist camouflage can hide that.

The internationalisation of business has created a new situation for the U.S. monopolies in which they have begun to be confronted by regional associations of state monopoly type. The highest development of capitalist integration was reached in Western Europe after the signing of the Treaty of Rome on the formation of the European Economic Community. Subsequently, as this organisation grew in strength and membership, the USA was faced with a need to tackle a very contradictory problem. On the one hand, she had welcomed the idea of the establishing of a customs, and then of an economic union of countries in Western Europe, but, on the other, a major centre of economic rivalry, whose growth became a factor in weakening the U.S. position in the world economy, took shape under her nose, and with her support, and created a serious threat to the interests of American monopoly capital.

In the 60s there was a tempestuous growth of Japan's economy, which took second place to the USA in the capitalist world at the end of that decade, having overtaken the major West European countries in size of GNP. The expansionism of Japan's state monopoly capitalism, and its drive to increase its share in the profits from exploitation of the peoples of capitalist countries, became a basic factor in exacerbating inter-imperialist conflicts, especially in the sphere of Japano-American economic relations.

The U.S. ruling circles, in tackling the double task of ensuring partnership and containing rivalry, employed large-scale expansion of American private capital as an old, tried and tested means of achieving that aim. The USA placed her bets on deep penetration of the countries' economies, and on establishing control over their key sectors. While reckoning to keep Western Europe and Japan as the periphery of developed capitalism, and competing with the output of local producers on their markets through her overseas affiliates, the USA guaranteed her leadership in scientific and technical progress, and fought to master the latest advances of science and engineering.

## 2.1. The prerequisites of today's expansion of American capital

When one goes into the history of American infiltration of Western Europe, it is noticeable that the USA had a leading position in separate sectors of the British economy as far back as the early 60s. The total of U.S. investments in the United Kingdom had come to around \$2.5

billion by 1960.<sup>23</sup> The USA was endeavouring to invest in the manufacturing and oil industries. American investments in the U.K. (according to the figures cited by J.H. Dunning) were distributed in 1955 as follows: 22.1 per cent in the automobile industry, 19.7 per cent in engineering, 11.6 per cent in the chemical industry, 11.6 in the iron and steel industry and metalworking, 11.3 in electrical engineering, 6.3 in the food industry, 4.4 in the rubber industry, and 13.1 per cent in other enterprises.<sup>24</sup> Big investments were made in oil refineries by such giant American monopolies as Standard Oil of New Jersey (Exxon), and the Socony Vacuum Oil Co. We would emphasise that the share of the American automobile firms Ford and Vauxhall Motors Ltd. came to 40 per cent of the total U.K. output of motor-cars. Ford was the second biggest producer of tractors, while Vauxhall had a leading place in the production of lorries. Three of the five biggest makers of tyres in Great Britain were under American control, viz., the Goodyear Tire and Rubber Co., Firestone Tire and Rubber Co., and North British Rubber Co. A considerable part of the agricultural machinery produced in Britain was also made in plants controlled by American capital. U.S. monopoly capital's investments in these industries gave it quite effective levers for influencing the British economy.

American direct investments in the United Kingdom were almost \$300 million more in 1960 than the U.S. direct investments in the five other most highly developed European countries (Belgium, France, Italy, the Netherlands, and West Germany).<sup>25</sup>

Such was the economic result of the partnership of the United Kingdom and the USA in NATO, and the dependence on American monopoly capital that it had reduced Britain to. This dependence had systematically grown and furthered the creation of the required conditions for direct investments.

It is legitimate to ask here: what were the reasons for this steep rise in American investments in the British economy after World War II? The British press cited the following: (1) the U.K.'s lack of dollar reserves after the war and the setting up of American companies' affiliates abroad, and in particular in Great Britain, because direct exports to Western Europe and members of the sterling area were small; (2) an alleged general rise in demand for American goods in Britain, many goods being produced in the main by American daughter firms set up in Britain, e.g., industrial and office equipment; (3) the development of industries in Britain in which American capital was ready to join in, in contrast to the past.

There is an element of truth in that, especially, though with reservations, as regards the lack of dollars. But the circles responsible for the United Kingdom's postwar policy as a partner of the USA in NATO did not have the firmness to look deeper into the reasons for her eco-

<sup>23</sup> *Survey of Current Business*, 1960, 40, 9: 20.

<sup>24</sup> John H. Dunning. *American Investment in British Manufacturing Industry* (Allen & Unwin, London, 1958).

<sup>25</sup> *Survey of Current Business*, 1980, 60, 9.



conomic dependence on the USA. Furthermore, they played up the infiltration of American capital as something positive, although the falsity of that has been exposed by the whole postwar development of the British economy. As for the second and third arguments, they are altogether lacking in logic. To say that the flow of American capital into Britain was due to growth of demand for American goods or the development of industries into which American capital was invested more readily than in the past, means to resort to tautology and to avoid an explanation of the real reasons for the increase in American investment in Britain.

The influence of American capital on the British economy is sometimes treated as favourable in the British press that reflects the opinion of British leading circles, in that it has made it unnecessary to import goods produced by American firms, which helps save an appreciable amount of foreign exchange. But that argument, too, is unsound since the facts are that Britain's consent to American monopolies' complete control over whole sectors of her economy by no means has saved her from a difficult financial position, but rather the contrary.

The infiltration of American capital into countries on the Continent was not so rapid. But there, too, it consolidated its position, increasing direct investments gradually, step by step, by means of economic, political, diplomatic, and other measures.

It is not out of place here to recall certain facts from the history of American investment in the economy of West Germany. American monopolies' close collaboration with West German ones is well known, though many of its details have still not been confided to the broad public. One can definitely say, however, that history repeats itself somewhat and resembles the period between the two wars in certain respects, when billions of dollars of American capital helped revive the war machine of German imperialism.

American capital invaded the economy of West Germany in various ways. A big role is played by German firms that continue to eagerly collaborate with American monopolies at the present time, exploiting their old ties with them.

After World War II American monopolists decided first of all to make a good hand out of the famous German concern of I.G. Farbenindustrie, and the no less famous Vereinigte Stahlwerke. To that end they developed great activity in the business of liquidating and breaking up I.G. Farben into small units, endeavouring to use this reorganisation in their own selfish vested interests, and to consolidate their influence in the West German economy.

American monopolies became in fact the owners of the big German Stinnes steel concern, which was converted into an American enterprise whose business was run by the Baltimore Hugo Stinnes Co.

The Morgan group enjoys great influence in West Germany. This is an old monopoly grouping with a firm, steel skeleton (to put it figuratively), which long ago took the road of foreign expansion and exploitation of other nations. Its influence, together with that of the First National City Bank of New York, has spread to a vast number of firms

operating in West Germany. In many cases the group's capital involved in the operations of West German concerns is predominant, which enables it in fact to control the most important West German industries.

Du Pont de Nemours, the biggest U.S. chemical concern, which is closely associated with the Morgan group, especially with General Motors, has deeply infiltrated the West German economy. This firm, whose power and influence have grown greatly in connection with the production of nuclear weapons, also has broad international ties.

The billionaire Rockefeller dynasty controls dozens of companies in West Germany (in Frankfurt on the Main, Stuttgart, Heidelberg, Hanover, etc.). Oil refineries, firms trading in petroleum products, and road-building firms are the main objects of its application of capital there, through Exxon and the Chase Manhattan Bank.

The International Harvester Company, controlled by the very big McCormick billionaire dynasty of Chicago, has its own affiliate in West Germany. This dynasty's long-standing links largely explain why the most reactionary organisations in the USA, like the pro-fascist America First organisation existing during World War II, always got active support, including financial backing, from it.

These examples do not exhaust all the cases of close co-operation of the biggest American and West German monopolies, which has led to American capital deeply infiltrating the West German economy, just as after World War I, giving its development a direction advantageous to U.S. monopolies.

The flow of American capital into the West German economy, above all into heavy industry important for military production, largely explains why many big West German industrial plants (including works of Krupps, the Steel Trust, I.G. Farben, etc.) were not only put into operation again but also considerably reconstructed. That is largely how West Germany became a serious rival of Great Britain, France, and other West European countries on the international market for many types of industrial output (military included).

The same things have happened as after World War I, when German industry, being revived with the help of foreign loans, and strengthened with renewed production capacity, put several French and British industries, unable to sustain German competition on the world market, in a difficult position.

Many of American monopolies' financial ties with West German ones have been carefully hidden rather than paraded in public, of course, especially when they are investing in the same enterprises on a sharing basis. The interlocking of the interests of American and West German monopolies, which took a variety of forms (as after World War I), has now acquired an immense scale.

American companies operated as vigorously in the economy of France, where U.S. direct investments were more than \$740 million in the early 60s and \$1,790 million in 1966.<sup>26</sup> One of the main forms of the in-

<sup>26</sup> *Survey of Current Business*, 1963, 43, 8: 18; *U.S. Direct Investment Abroad 1966. Final Data*. A supplement to the *Survey of Current Business* (U.S. Govt. Printing Office, Washington, D.C., 1967), p. 31.



terlocking of American and French financial interests was shared ownership of the stock of enterprises while the investment of capital was concentrated mainly in the oil and manufacturing industries. American corporations like Exxon, Texaco, Mobil, Chrysler, International Business Machines, International Telephone and Telegraph, Caterpillar, and International Harvester developed vigorous investment activity in France. Direct investments became a main instrument of U.S. economic expansion into the French economy during the 60s.

This is the place to introduce a striking example of how this machinery of exploitation of other countries, based on the export of capital, operates. We quote the French economists Goux and Landeau:

Let us take an example. As an American I invest 1,000 at a given moment, in, for example, France, by merely asking that country pure and simply to open me a credit of 1,000. On the balance of payments between France and the United States a deficit of 1,000 appears. The first year, these dollars placed in France bring in 150 half of which I repatriate to the United States (or 75). The other 75 I reinvest locally, and finally, at the end of the year I am in the following position:

1st year

U.S. capital abroad  $1,000 - 75 = 1,075$

Payments deficit  $- 1,000 + 75 = - 925$ .

The second year my \$1,075 bring me in 15 per cent of \$1,075, i.e. \$162; I reinvest \$81 and repatriate \$81. The result at the end of two years is as follows:

2nd year

U.S. capital abroad  $1,075 + 81 = 1,156$

Payments deficit  $- 925 + 81 = - 844$ .

and so on... At the end of nine years the U.S. capital abroad has become \$2,000, and the balance of payments is nil. The trick is done. The debts are paid off. France has financed the placing of an investment on its own soil that is going to increase from that date on without doubling the stake... This iron law of the accumulation of U.S. capital abroad and of income from the investments that results from it is fundamental.<sup>27</sup>

This example, which is typical, on the whole, of U.S. expansion, well illustrates the role of the export of capital as a means for ruling markets and consolidating the competitive position of American companies. On the other hand, it is also a means of getting around customs barriers, which has intensified the expansion of American companies on the Continent after formation of the Common Market.

American companies actively infiltrated the economy of Italy. Under pressure of the USA, which had set herself the aim of converting Italy into her reliable military and strategic bridgehead, the doors of the Italian economy were open wide to foreign monopolies. The main sphere of U.S. investment were industries like oil, electrical engineering, and chemicals, which accounted for two-thirds of it. In 1955 Italy adopted a programme of economic development known as the Vanoni Plan, which aimed at attracting foreign capital in large amounts in order to realise its goals, as well as drawing on local resources. As a result legislation on foreign investment was enacted that provided favourable opportunities for American capital to infiltrate the economy. By that time the road for a mounting volume of U.S. investments in the Ital-

<sup>27</sup> Christian Goux, Jean-François Landeau. *Le péril américain. Le capital américain à l'étranger* (Calmann-Lévy, Paris, 1971), pp 134-135.

ian economy had been paved by the American capital that had managed to infiltrate Italy during the fascist dictatorship.

We would also stress that the main investors in Italy had for long been Swiss companies, many of which belonged in fact to the USA. The infiltration of American capital took the form, in the main, of direct participation, and not the buying of shares. U.S. monopolies preferred that form because it guaranteed them the most reliable control over foreign enterprises, or even whole sectors of other countries' economies, depending on the specific conditions. The major American oil companies displayed particularly great interest in the Italian economy.

An example of their drive was Gulf Oil's attempt to gain control of Montecatini. The pretext for it was the dissatisfaction of Gulf's top management with the Italian legislation on exploration and production of oil. In 1957 Gulf announced its intention of withdrawing from Petrosud, a company it had set up jointly with Montecatini for oil exploration and production in continental Italy. In announcing its intention to transfer its shares in Petrosud to Montecatini, the American monopoly's management hoped to exchange them for shares in Montecatini itself. The manoeuvre was quite simple: in this case the total number of shares held by Gulf Oil and by the Italian company Fanna and Giustiniani, associated with American capital, would be greater than the number controlled by the Italian public institute for industrial reconstruction, with all the consequences entailed, i.e. Italy's *de facto* loss of the company.

These facts, and many others, from the history of U.S. monopoly capital's penetration of the Italian economy, show what a dangerous direction of development Italy's participation in the Western powers' military blocs has entailed, and what a price this country has to pay Wall Street for financial sops and illusory 'security'.

The U.S. monopolies also considered Austria, Denmark, the Netherlands, and other small West European countries suitable areas for the investment of their capital.

International agreements—the decisions of the Potsdam Conference of 1945 and the Austrian State Treaty of 1955—provided the conditions for Austria's independent economic and political development. Under them German property in Austria was initially confiscated in favour of the Allied powers and later transferred to the Austrian government on certain terms under the State Treaty.

In spite of this change in the situation, and partial nationalisation of Austrian industries, the foreign monopolies' position is nevertheless very strong in many sectors of the Austrian economy, and American capital now has a leading role to play in it.

In Austria and several other countries, we would note, American capital competes with West German monopolies, and with Belgian, Dutch, French, Italian and Swiss capital. West German capital, moreover, has a leading place in the struggle to infiltrate and capture key positions in the most important sectors of the Austrian economy.

Analysis of the facts about the infiltration of Continental countries by American capital indicates that the Netherlands is by no means in the



last place. In many respects she is an example of American monopolies' expansion into a relatively small country that has been caught in the U.S. vice both politically (through membership of NATO) and economically. There were several reasons for the intensified flow of American investments into the Netherlands.

(1) American monopolies have been investing more and more there because it is the most reliable area for them from the angle of absence of risk of nationalisation of invested capital. That, of course, is a reason for an increase in American investment in Europe in general, but while Wall Street considers Europe as a whole relatively reliable in that respect, it reckons the Netherlands to be particularly so. (2) American monopolies decided to infiltrate the economies of the smaller countries of Western Europe deeper in order to compete more successfully there with British, French, and West German capital. The growing competition with West European capital in connection with the formation of the Common Market pushed American capital to create firmer positions for itself in Western Europe.

American monopolists intensively exploited the economic and political difficulties of several European countries, the Netherlands included, as we well know, in order to infiltrate their economies. The Dutch economy was in difficulty because of the loss of such a source of profits as Indonesia (the Dutch East Indies), and the American monopolies did not fail to exploit that fact; many of them set up dozens of daughter enterprises in the country; considerable capital was also placed in mixed, Dutch-American companies.

The U.S. press openly admits that American monopolies have been attracted to the Netherlands, in addition, by the opportunity to trade with European countries via her. The many Dutch industrial plants are linked by a network of canals, railways, and motor roads both with ocean ports and with lands in the heart of Europe.

In the eyes of American capital the Netherlands is the ideal point in Western Europe for establishing a stronghold for operations within European countries, especially members of the Common Market.

Belgium, Denmark, and the Scandinavian countries, too, did not escape from the field of American capital's operations.

Study of the way it infiltrated Japan presents great interest, both from the aspect that it is constantly increasing in rates and scope and because of the forms it is taking. In addition, the fact that this infiltration is a matter of the expansion of U.S. monopoly capital within a big capitalist country with a developed economy (and especially industry) in itself points up the great importance of analysing the actual situation in this field and some of the conclusions that follow from it.

The character and scope of the injection of American capital into Japan have had such an effect on her economy that it inevitably gives rise to serious antagonisms between U.S. and Japanese capital. The fact that the Japanese bourgeoisie gives priority to the immediate interests and the temporary economic advantages it gets from collaboration with American capital, rather than to Japan's basic national interests, does

not remove the contradictions that have developed between Japan and the USA and which will continue to develop.

There can be no doubt that, as Japan becomes more conscious that her economic dependence on the USA contradicts her fundamental national interests, there will be increasing resistance to the policy pursued at present by her ruling circles to the detriment of her vital interests.

Many facts have been depicted in the Western and Japanese literature on American capital's infiltration of the Japanese economy. They show that in the mid-60s U.S. direct private investment in Japan was \$731 million,<sup>28</sup> 89 per cent of which was in her manufacturing and oil industries. These data are far from complete, of course, because American capital's infiltration takes very diverse forms and is not reducible simply to direct investment in the economy. The building of American military bases and numerous facilities (highways, bridges, etc.) is one of the forms of the expansion of U.S. capital in Japan.

The exploitation of Japan, like that of the other countries which are the object of the export of American capital, takes rapacious forms, owing largely to the fact that several Japanese industries (oil, aviation, etc.) are particularly dependent technologically on U.S. capital.

The peculiarity of Japan's position is that, while subject to exploitation by American capital (which was facilitated in many respects by the separate San Francisco Peace Treaty), she herself is more and more persistently looking for spheres of investment outside the country. A main aim of this drive is to capture sources of raw materials for Japanese industry that the USA used in many cases to supply.

One is struck by the fact that more than half of all U.S. investments is in the Japanese oil industry, which indicates the role that U.S. monopoly capital assigns to winning key positions in this important sector.

One of the forms of infiltration of Japan employed by American monopolies, apart from the loans and credits granted on fettering terms, is buying of the shares of the Japanese owners of industrial enterprises.

U.S. capital's experience of obtaining tax concessions in countries that are fields of its investment has also found quite broad application in Japan. With the connivance and encouragement of her rulers American capital managed to get exceptionally favourable terms there, much more advantageous even than in some developing countries. Japanese legislation grants foreigners big concessions on incomes.

The U.S. authorities encourage in every way the establishment and functioning of various kinds of organisations and societies in Japan that promote the infiltration of American capital. Many of them were set up in the early postwar years, when the American military command ruled the roost in Japan entirely uncontrolled.

American investments are made primarily in big enterprises, predominantly in the heavy and war industries, and also in undertakings serving them. In that respect U.S. monopolists behave in Japan as they do in other lands, trying to get control of the main sectors of the econ-

<sup>28</sup> U.S. *Direct Investment Abroad, 1966. Final Data*, p 31



omy; this applies primarily to private capital, which is the main channel of U.S. direct investment in Japan.

It is convenient at this point to recall the statement of Dean Acheson, then Under Secretary of State, and subsequently U.S. Secretary of State, in Cleveland, Miss., on 8 May 1947, when he set the USA the following task:

The ... thing we must do in the present situation is to push ahead with the reconstruction of those two workshops of Europe and Asia—Germany and Japan—upon which the ultimate recovery of the two continents so largely depends.<sup>29</sup>

In reality the history of U.S. capital's postwar expansion most obviously confirms that American imperialism has played a decisive role in the rapid economic growth of these two countries, furthered the formation of new 'centres of strength' of modern capitalism through its deep infiltration of its overseas partners' economies, and continues to retain important levers in its hands that help hold them within the orbit of its influence.

Acheson's statement, however, is notable, of course, not for what it said about the significance of American investment in Japan and Germany and the need 'to push ahead' with the reconstruction of what he called the 'workshops of Europe and Asia' with allusions to geographical determinism in the spirit of Montesquieu. U.S. investment in Japan and West European countries has naturally had a favourable significance only for American monopolies and their policy, but by no means for the real interests of these countries' people.

## 2.2. The scope and directions of modern expansion, and growth of exploitation

American capital, basing itself on the bridgehead mentioned above, has actively expanded in Western Europe. The forms of expansion, it goes without saying, are not limited to direct private investments. Portfolio investment and exports of loan capital grow rapidly. But in order to compare the data with that of earlier sections of our book, and to take the available reliable statistics into account, we will confine ourselves to private direct investments, as the most important form of the placing of capital abroad.

The figures in Table 7.12 show that American investments grew most intensively in Western Europe after 1966, and increased by a factor of around six between 1966 and 1981. In 1981 they accounted for 60.6 per cent of all U.S. direct investments in developed capitalist countries. The significance of Western Europe thus rose considerably (45 per cent of U.S. investments in Western countries were there in 1966). The bulk of those investments was in manufacturing, although there was a relative drop in their share, from 54 per cent in 1966 to 45 per cent in 1981. Investment in the oil industries of West European countries displayed stable growth over the whole period: its proportion was regularly between 20 and 24 per cent of the American investments in the region.

<sup>29</sup> *Pacific Affairs*, 1947, 20, 4: 371.

Table 7.12

U.S. Direct Private Investments in Developed Capitalist Countries, 1966-1981 (\$ billion)

Countries and industries	1966	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
All developed capitalist countries	35.3	51.8	56.9	62.1	72.3	82.9	90.6	100.3	108.3	120.5	137.9	158.4	167.1
oil industry	7.7	11.2	12.5	13.5	15.9	18.2	20.1	22.9	24.9	26.9	31.8	34.7	37.3
manufacturing	17.2	25.6	28.3	31.6	36.6	42.0	45.4	49.8	53.7	59.9	67.4	71.4	73.2
other industries	10.4	15.0	16.1	17.0	19.8	22.7	25.1	27.6	29.7	33.7	38.7	52.3	56.6
Western Europe	16.4	25.3	28.6	31.7	38.3	44.6	49.3	55.1	60.9	69.5	81.5	96.6	101.3
oil industry	3.6	5.5	6.2	6.9	8.5	9.8	11.2	12.7	13.9	15.1	18.6	20.2	22.5
manufacturing	8.9	13.8	15.6	17.5	20.8	24.0	26.0	28.8	31.7	36.3	41.2	45.3	45.5
other industries	3.9	6.0	6.8	7.3	9.0	10.8	12.1	13.6	15.3	18.1	21.7	31.1	33.3
Canada	15.7	21.0	21.8	23.0	25.6	28.4	31.0	33.9	35.2	37.0	41.0	45.0	47.0
oil industry	3.2	4.3	4.6	4.8	5.3	5.7	6.2	7.1	7.7	8.2	9.2	10.8	10.7
manufacturing	6.7	9.0	9.5	10.5	11.8	13.5	14.7	16.0	16.7	17.5	19.2	18.9	19.7
other industries	5.8	7.7	7.7	7.7	8.5	9.2	10.1	10.8	10.8	11.3	12.6	15.3	16.6
Other countries	3.2	5.6	6.5	8.3	8.4	9.8	10.3	11.3	12.1	13.9	15.5	16.3	18.8
oil industry	0.9	1.4	1.7	1.9	2.1	2.6	2.7	3.1	3.2	3.5	4.1	3.2	4.1
manufacturing	1.6	2.8	3.2	3.5	4.0	4.5	4.7	5.0	5.3	6.1	6.9	7.2	8.0
other industries	0.7	1.4	1.6	1.9	2.3	2.7	2.9	3.2	3.5	4.3	4.5	5.9	6.7

Sources: *Survey of Current Business*, 1981, 61, 2: 50; *Idem*, 1981, 61, 8: 32; *Idem*, 1982, 62, 8: 21-22.

We noted earlier that U.S. direct investments in the economy of Western Europe had begun to grow rapidly after formation of the European Economic Community. Their mean annual growth rates in West European manufacturing was 14.3 per cent in the period 1958-79, and 16.2 per cent in the original six members of the EEC.<sup>30</sup>

To elucidate the causes of these active U.S. investment activities in Western Europe, it is important to go into the geographical structure of U.S. direct investments in that region (see Table 7.13).

The following figures indicate the scope of American expansion in Western Europe. In 1977 U.S. corporations had 10,262 affiliates functioning there (around 8,000 in EEC countries). Their total assets had then reached the gigantic sum of \$394 billion. The enterprises employed more than 3,100,000 persons; their gross profits were \$293 billion, net profits \$10.1 billion, and repatriated profits \$7.2 billion.<sup>31</sup>

The cited above figure of \$96.6 billion for the total of U.S. direct private investments is their nominal value which is much lower than their market value, since the statistics only take into account transfers of capital from the USA and re-investments rather than such big sources

<sup>30</sup> *Survey of Current Business*, 1981, 61, 2: 48.

<sup>31</sup> *U.S. Direct Investment Abroad*, 1977, p 6.



Table 7.13

U.S. Direct Investments in Western Europe, 1966-1981  
(\$ billion)

	1966	1977	1978	1979	1980	1981
EEC	7.3*	49.1	55.2	65.7	77.4	80.5
Belgium	0.8**	4.6	4.6**	5.9	6.3	6.3
Denmark	0.2	0.8	0.9	1.1	1.3	1.4
France	1.8	6.5	6.8	8.0	9.3	9.1
Ireland	0.07	1.0	1.6	1.8	2.3	2.6
Italy	1.0	3.2	3.6	4.4	5.4	5.4
Luxemburg	—	0.7	—	0.5	0.7	0.6
Netherlands	0.9	4.5	4.7	6.9	8.2	8.8
United Kingdom	5.4	16.7	20.4	23.5	28.6	30.1
West Germany	2.8	11.2	12.7	13.5	15.4	16.1
Austria	0.09	0.4	...	0.4	0.5	0.6
Greece	0.1	0.3	...	0.4	0.3	0.2
Norway	0.2	1.2	1.6	1.3	1.7	2.3
Portugal	0.06	0.2	...	0.2	0.3	0.3
Spain	0.4	2.3	2.0	2.7	2.7	2.9
Sweden	0.3	1.2	1.2	1.4	1.5	1.4
Switzerland	1.9	7.2	7.4	9.7	11.3	12.4

\* The Six.

\*\* Including Luxemburg.

Sources: U.S. Direct Investment Abroad, 1966. Final Data, p 31;  
U.S. Direct Investment Abroad, 1977, p 46; Survey of Current Business, 1980, 60, 8: 26; Idem, 1981, 61, 8: 31, 32;  
Idem, 1982, 62, 8: 21-22.

for financing foreign investments as, for example, local loan capital. Soviet economists note that American corporations' annual investments abroad are 50 to 200 per cent greater than the increment shown on the books, which means that the real capital American firms operate outside the USA, especially in West European countries, must be valued much higher than is shown in official U.S. statistics.<sup>32</sup> In particular, the market value of U.S. direct private investments in the EEC were valued in the early 70s at around 50 per cent above their nominal value.<sup>33</sup>

Britain has a central place in the West European investments of U.S. private capital. In 1980 more than \$28 billion was invested there, which was 29 per cent of all the U.S. capital invested in the region. Its flow to Britain had been rising continuously, so that her relative weight in the overseas investment operations of U.S. companies fell very lit-

<sup>32</sup> M. I. Zakhmatov. The Increasing Unevenness of Capitalism's Development and the Position of the USA. In M. I. Zakhmatov (Ed.), *Op. cit.*, p 22.

<sup>33</sup> V. F. Zhelezova. *Amerikansky kapital v ekonomike EES* (American Capital in the Economy of the EEC), Mysl, Moscow, 1973, p 24.

tle on the whole (she accounted for 33 per cent of the U.S. investments in Western Europe in 1966).

In 1980 the share of Britain, West Germany, and France in U.S. investment in Western Europe as a whole was 55 per cent, and 69 per cent of the investment in EEC members. In the second half of the 70s the total of U.S. investments in the British economy began to exceed their combined total in West Germany and France.

The sectoral structure of American investment in the United Kingdom shows that 50 per cent (\$14 billion) was in manufacturing in 1980: more than \$3 billion in engineering, \$2.3 billion in chemicals, \$1.4 billion in the food industry. U.S. corporations have 22 per cent of their investments (\$6.3 billion) in the British oil industry, more than \$4 billion has been invested in banking, and around \$2 billion in commerce. While U.S. direct investments in the oil industry in Western Europe as a whole increased 5.5-fold between 1966 and 1980, they increased by a factor of 6  $\frac{1}{2}$  in the United Kingdom during this period.

American direct investments are rapidly growing in *West Germany*. Her share in the total of U.S. investments in Western Europe has hardly altered, but there has been an absolute increase of invested capital from \$2.8 billion to \$15.4 billion, i.e. by a factor of 5  $\frac{1}{2}$ . Nearly two-thirds (63 per cent) of the American investment in West Germany is in manufacturing, mainly in engineering and the production of transport equipment (\$4.5 billion). The total U.S. direct investment in the oil industry reached \$3.4 billion in 1980, and investments in commerce, banking, and insurance—\$2.1 billion.

*France* is the third in Western Europe as regards the magnitude of the U.S. investment in her economy. In 1980 American corporations had \$9.3 billion of direct investments, while the corresponding figure for 1966 was only \$1.8 billion. France's share in the total of U.S. direct investments in Western Europe is 10 per cent (11 per cent in 1966).

The sectoral structure of these investments in France is largely like that in Great Britain and West Germany. The relative weight of investments in manufacturing is high, the biggest investments in 1980 being in engineering and the chemical industry (\$3.4 billion).

The growth of American direct investments in the *Netherlands* deserves attention. Between 1966 and 1980 they increased nearly nine-fold and reached a level of \$8.2 billion. There are also big U.S. investments in *Belgium* and *Italy* (\$6.3 billion and \$5.4 billion respectively).

U.S. direct investments in Western Europe have a double effect on the economies of the recipient countries. On the one hand there is a further development of their economic, scientific and technical potential on this basis; on the other, the expansion of American capital has a restraining influence on the development of national industries.

The fact is that, apart from the important political and strategic tasks that American imperialism is tackling through foreign economic expansion by its corporations, the export of capital brings the USA no small profit (see Table 7.14).



Table 7.14

**Profits from U.S. Direct Private Investments  
in Western Europe, 1966-1981**  
(\$ million)

Year	Total		Oil industry		Manufacturing	
	Transferred to USA	Reinvested	Transferred to USA	Reinvested	Transferred to USA	Reinvested
1966	637	414	-16	-65	453	338
1967	730	423	5	-42	526	285
1968	735	617	-7	-86	520	514
1969	955	1,054	29	-103	602	870
1970	1,266	1,136	36	49	901	679
1971	1,505	1,215	127	-52	922	747
1972	1,686	1,891	10	18	1,084	1,366
1973	2,244	3,507	196	575	1,358	2,071
1974	2,945	2,768	360	434	1,534	1,586
1975	2,643	2,345	381	142	1,330	1,261
1976	3,085	3,084	547	33	1,585	2,011
1977	4,457	2,845	927	-98	2,443	1,865
1978	4,610	5,665	816	213	2,561	3,572
1979	6,489	10,627	1,599	2,884	3,091	4,873
1980	8,385	7,610	3,646	2,236	2,822	2,822
1981	7,249	4,625	3,307	2,038	1,969	1,014

Sources: *Survey of Current Business*, 1980, 60, 8: 24-25; *Idem*, 1981, 61, 8: 27, 35-38; *Idem*, 1982, 62, 8: 17, 25, 26.

The year's total of profit transferred to the USA in 1980 was nearly 13 times as big as the profits repatriated by American companies in 1966. When we turn to the country-by-country breakdown of their income from Western Europe, the highest profit (according to the data for 1980) was paid to U.S. corporations in Great Britain (\$5.5 billion, more than 40 per cent of which came from investments in the oil industry). Then came West Germany, where American business received \$1.9 billion, most of which was also yielded by the oil industry. It is characteristic that Switzerland was in the third place as regards level of profits: the USA obtained \$1.9 billion there in 1980. The profit made in the Netherlands was \$1.8 billion, in France \$1.3 billion, and in Italy \$1.3 billion.

U.S. investments in the oil industry in Western Europe, it is worth noting, were showing a loss for several years in the 60s. Then, especially after 1973-4, the profits from it began to rise steeply, reaching \$5.9 billion in 1980. A link can be clearly traced here with changes in the conditions of American capital's operations in oil-producing developing countries, which we shall deal with below. Here we would note that the long-term policy of the American oil monopolies has been to try and

concentrate profit to the maximum at the extraction stage. An increase of American profits from the oil industry of Western Europe in the second half of the 70s coincided with the 'revolution in oil prices'. The oil companies no longer evidently, in connection with the steep rise in taxation in the oil-producing countries and the conversion of the former concessionaires into purchasers of nationalised oil, had their former interest in concentrating profits in the producer regions.

At the same time the reinvestments of their affiliates in Western Europe rose over the whole period. In 1976-80 alone they reinvested 53 per cent of their profits made there.

Apologists for U.S. economic expansion claim that 'despite the inconveniences, much of Europe genuinely wants American enterprise' and, furthermore, that 'U.S. corporations, in effect, put themselves "up for auction among the competing European governments to make the best deal"'.<sup>34</sup> American capital's infiltration of the economies of Western Europe is in fact taking place in conditions of an acute exacerbation of inter-imperialist rivalry and leading to their domination by U.S. corporations and an increase in their scientific and technical dependence on the USA.

U.S. direct private investments in Canada increased from \$17.7 billion to \$47.0 billion between 1966 and 1981, i.e. threefold. A characteristic feature of Canadian-American relations over the whole period of their history has been Canada's inequality in her links with her rich and powerful southern neighbour. It is essentially a matter of the USA in fact subordinating Canada's leading industries to herself through expansion of private monopoly capital, which has led to dependence of the Canadian economy on American technology. The scale of this American penetration is so great that its economic consequences have features of a close interlocking of the two economies, within which Canada is always assigned the role of the exploited partner. In the sphere of politics, nevertheless, the links are never spoken of otherwise than as 'special relations'.

The principal form of the expansion of U.S. capital in Canada has been direct investment (see Table 7.15).

By the early 80s the share of U.S. companies' investment in Canada's manufacturing industries was 42 per cent, a proportion that was constant over the whole period from 1966. U.S. direct investment in the oil industry was 29 per cent in 1981 of the total; the share of investment in commerce, banks, insurance companies, etc., was 36 per cent.

In spite of the fact that the share of Canada in U.S. direct foreign investments essentially declined between 1966 and 1981 (from 44 to 21 per cent), Canada still occupies first place in the capitalist world in total direct investment of American capital. Her weight in U.S. foreign investment in manufacturing, mining and the oil industry of the non-socialist world is particularly heavy (21, 45, and 21 per cent respectively).

<sup>34</sup> W. Randolph Burgess and James Robert Huntley, *Europe and America—the Next Ten Years* (Walker & Co., New York, 1970), p 47.



Table 7.15

**U.S. Direct Investments in Canada, 1966-1981**  
(\$ million)

Sector	1966	1977	1978	1979	1980	1981
Total	17,713	35,052	37,071	40,243	44,978	46,957
mining	1,976	2,923	3,006	2,854	3,061	3,360
oil	3,171	7,015	8,246	8,648	10,800	10,705
manufacturing	6,697	14,795	17,477	17,392	18,876	19,658
commerce	859	2,990	2,465	3,597	3,894	4,146
finance (except banking, insurance companies, real estate)	2,198	5,529	3,886	5,834	6,116	6,821

Sources: as for Table 7.14.

American capital's domination of Canada's economy and the country's efforts to limit its expansion have led to the growth of serious antagonisms in the two countries' relations, especially in recent years.

One of the first problems was the establishment of the Foreign Investment Review Agency (FIRA) in Canada in 1974, whose operations evoked marked dissatisfaction in U.S. business circles and the Administration, since it limited the uncontrolled nature of U.S. corporations' investment decisions in the Canadian economy. In particular FIRA not only checks foreign investments from the angle of their advantageousness for Canada, but also makes the investors of capital responsible for a certain level of hiring Canadian personnel, proportion of purchases from Canadian producers, and degree of use of Canadian banks, and defines the part of the product that can be exported, etc.

At this point we must note that these measures have not, in the end, exerted a palpable effect on the scale and character of American investments in the Canadian economy. As at August 1981 the Canadian government had approved 90.5 per cent of all cases when American investors appealed for an appropriate authorisation. Nevertheless the working of FIRA has become a main 'controversial question' in the two countries' economic relations; as a consequence of these contradictions there has been an increase of tension in recent years in their political relations. Both American and Canadian writers have noted that

a general distrust of multinational enterprises, a preoccupation that profits are being repatriated to the United States rather than invested in Canada, a perception that U.S. corporations concentrate their research and development efforts at headquarters rather than dispersing their research expenditures in Canadian affiliates—all of these feelings have created a fertile environment for an even more assertive, nationalistic array of Canadian policies.<sup>35</sup>

<sup>35</sup> *Foreign Affairs*, 1981-82, 60, 2: 400.

The development of the energy sector in Canada is another problem of American-Canadian relations, underlain by the American capital's dominance in its economy. In 1975, hot on the heels of the critical outbreak of energy difficulties, the Canadian government founded a national oil-and-gas company Petro-Canada, and posed the long-term goal in domestic economic policy of ensuring a stable supply of energy materials and full independence of the world oil market, and providing conditions for increasing Canadian capital's involvement in the national oil and gas industry, and for a fair distribution of the revenues of this kind of entrepreneurial activity. In general, the aim was to raise the degree of Canadian control of the national oil and gas industry over the decade to 50 per cent (74 per cent belonged to foreign capital in 1980). The energy programme drafted in Canada also provides, within the 'Canadianisation' of energy begun, for the transfer to the government of some of the land intended for oil and gas development. American officials expressed fears that this step would create a dangerous precedent, and that it did not provide adequate compensation for the outlays borne by the entrepreneurs.

There are also American-Canadian contradictions in the automobile industry and as regards currency, financial and monetary controls. These antagonisms, engendered by Canada's strong military and economic dependence on the USA, are becoming deeper as many social and economic problems overflow from the USA.

U.S. investments in Canada also yield American corporations a very high income (see Table 7.16). The constant growth of their profits is striking. In 1966 they made around \$1.3 billion in Canada; in 1980 these profits had risen fourfold and came to \$5.8 billion. In the period under review the volume of reinvestments as a rule exceeded the total profit transferred to the USA. In 1966-70 the ratio of repatriated profit to reinvestments was 1 : 1.1 on the average; in 1975-80 it had altered to 1 : 1.3. American companies have provided between 75 and 100 per cent of the annual growth of direct investments in the Canadian economy through reinvestment.

U.S. direct investments are not so great in Japan as in Canada or the most developed West European countries. In 1980 only 2.9 per cent of all U.S. direct investments in the non-socialist world were made there, and 4 per cent of the investments in the developed capitalist countries.

The positions that U.S. monopoly capital had acquired in Japan before World War II, and the links that had been established between the monopolies of the two countries, largely facilitated its infiltration of the Japanese economy after the war. That is why, when we analyse U.S. capital's infiltration of Japan, an analogy suggests itself with West Germany, where old ties between American and German financial and industrial concerns have largely been used by American monopoly groups to infiltrate the German economy. In both cases, too, the same major monopolies figure.

The U.S. economic and military aid to Japan has played a big role, as already noted, in the rapid development of Japanese monopoly



Table 7.16

**Profits from U.S. Direct Investments in Canada,  
1966-1981**  
(\$ million)

Year	Total		Oil industry		Manufacturing	
	transferred to USA	reinvested	transferred to USA	reinvested	transferred to USA	reinvested
1966	665	627	98	85	280	285
1967	691	650	108	91	231	334
1968	733	834	130	108	224	442
1969	641	1,002	123	111	178	610
1970	819	699	150	159	278	339
1971	848	1,023	121	234	311	574
1972	795	1,379	135	276	351	770
1973	977	1,867	196	452	442	1,008
1974	1,180	2,214	252	530	506	1,298
1975	1,239	2,473	303	548	522	1,106
1976	1,385	2,451	282	724	633	1,202
1977	1,455	1,707	355	611	596	655
1978	1,615	1,724	419	564	710	679
1979	2,514	3,003	838	1,052	874	1,156
1980	2,266	3,589	628	1,358	798	1,037
1981	2,303	1,170	593	406	1,066	691

Sources: as for Table 7.14.

capitalism. As Japan was converted into one of the 'centres of economic strength' of modern capitalism, U.S. monopolies began to regard the development of relations with her, and provision of their own 'effective presence' in the Japanese economy as a key direction of their policy.

Table 7.17

**U.S. Direct Investments in Japan, 1966-1981**  
(\$ million)

Sector	1966	1977	1978	1979	1980	1981
Total	731	4,593	4,972	6,208	6,243	6,807
oil industry	287	1,447	1,694	1,906	1,570	1,737
manufacturing	366	1,968	2,309	2,775	2,971	3,277
chemicals	87	465	497	670	700	781
engineering	222	852	1,272	1,061	1,141	1,188
commerce	50	810	585	1,040	1,115	1,225

Sources: as for Table 7.14.

The figures in Table 7.17 show that American direct capital investments in the Japanese economy increased from \$700 million to \$6.8 billion between 1966 and 1981, the bulk of the funds (more than \$3 billion) being put into manufacturing, and around \$1.7 billion into the Japanese oil business. In 1977 there were 903 affiliates of American companies, with assets worth \$55.7 billion, operating in Japan, and employing more than 390,000 Japanese.

A feature of American investments in Japan is that a little more than half of the direct ones is in affiliates in which 50 per cent or more of the capital belongs to American corporations (in 1977, for instance, \$2.3 billion of the total investment of \$4.59 billion). A main form of American investment is shared participation in the capital of mixed companies; in several industries, however, U.S. capital's position is great, and was already secured during the American occupation. According to available estimates American capital controls, in particular, up to 40 per cent of the production and sale of petroleum products in Japan. The problem of supplying her economy with oil from foreign sources is an acute one for Japan, which meets her needs almost completely through imports. The leading position in this field has been typically grabbed by the giant U.S. monopolies (see Table 7.18), which

Table 7.18

**Japan's Imports of Oil, 1979-1980**

	Financial year			
	1979		1980	
	1,000 barrels per day	per cent	1,000 barrels per day	per cent
Total	4,763	100	4,294	100
Caltex	729	15.3	694	16.2
Exxon	527	11.1	422	9.8
Mobil	397	8.3	388	9.0
Gulf Oil	198	4.2	12	0.3

Source: Japan Petroleum and Energy Weekly, 1981, 16, 27: 8.

Table 7.19

**Profits from U.S. Direct Private Investments in Japan, 1977-1980**  
(\$ million)

	1977	1978	1979	1980		1977	1978	1979	1980
Total					reinvested	40	156	123	30
transferred to USA	363	499	449	624	Manufacturing transferred to USA	169	264	276	279
reinvested	235	684	377	246	reinvested	131	368	242	144
Oil industry transferred to USA	61	66	130	145					

Sources: U.S. Direct Investment Abroad, 1977, pp 67, 83; Survey of Current Business, 1980, 60, 8: 30, 32; Idem, 1981, 61, 8: 35-38.



supplied 39 per cent of Japanese oil imports in 1979, and 35 per cent in 1980.

Big American companies also operate in the radio electronics and engineering industries of Japan. In spite of the barriers that exist in the way of American exports of capital in Japan (administrative and currency regulations, limitations on spheres of investment, etc.), the U.S. affiliates there do not experience any difficulties from Japanese governmental agencies. According to the figures of the census of U.S. direct foreign investments for 1977, more than 93 per cent out of 870 non-banking affiliates of U.S. companies in Japan gave a negative answer to questions whether they were required to limit their exports or imports, acquire some of their raw materials from local suppliers, or use a certain amount of local labour.<sup>36</sup>

The figures on the profits of American corporations in Japan show that most of them are made in manufacturing (see Table 7.19).

The American companies in Japan prefer to repatriate their profits. While reinvestment and repatriated profits are roughly equal in Western Europe, and reinvestment considerably exceeds the total of the profits transferred to the USA from Canada, that is not the case in Japan. But there is a distinct trend toward growth of American direct investments in Japan's economy, and an increase in the profits made by them, which indicates a broadening of the scale of American expansion there.

The summarised data on the profitability of U.S. direct private investments in developed capitalist countries are indicative (see Table 7.20).

The crisis of the economies of capitalist countries today is inevitably sharpening the struggle within the camp of imperialism for markets

Table 7.20

Movement of the Rates of Profit from U.S. Direct  
Private Investments in Developed Capitalist  
Countries, 1960-1980  
(per cent)

Year	All Industries	Mining and smelting	Petroleum	Manufacturing	Others
1960	8.3	8.4	4.1	10.7	10.0
1970	8.7	11.2	3.2	10.2	10.3
1975	11.7	12.2	9.0	11.1	14.3
1977	10.6	10.4	8.7	10.8	12.4
1978	12.1	9.1	9.3	14.3	15.6
1979	17.9	16.4	21.4	16.8	17.1
1980	18.4	22.8	25.1	12.0	13.7

Calculated from *Survey of Current Business* for the years concerned.

<sup>36</sup> U.S. *Direct Investment Abroad*, 1977, p. 170.

and spheres of investment, which is largely complicating economic relations within the capitalist system.

The ways of tackling the difficulties in selling U.S.-produced goods outside the American market that have been employed by U.S. ruling circles in recent years (loans, credits, subsidies, 'gifts', etc.), whatever their scale, have the character of palliatives. The main complicating factor is the arms race and militarisation of capitalist countries' economies. The burden of military production stimulated by the United States in a number of capitalist countries is being shifted onto the shoulders of the working sections of the population. It is they who bear the costs connected with dumping in foreign trade, to which U.S. monopolies have resorted at every step since the war, with multimillion credits and subsidies for other countries, and with the broadening of U.S. foreign economic expansion as a whole.

The anti-people, parasitic character of capital's international operations is particularly clearly displayed in that.

### §3. Capital exports as an instrument of modern neocolonialism. American investments in Asia, Africa, and Latin America

Many of the fundamental problems of the relations between developing countries and monopoly capital (backed, as a rule, especially in recent decades, by official policy) are rooted in the export of capital as a means of neocolonialism. These problems include the international division of labour imposed on the emancipated countries, under which the former colonies are still in the position of an exploited periphery, and control, still preserved, over the most important sectors of their economies by foreign monopolies, primarily American. The profit outflow to the metropolitan countries (although they are now called 'former') continues along these channels. In that way the resources of the emancipated economically weak countries, limited enough as they are, are being reduced. Finally, the old practice of non-equivalent exchange, the notorious 'price scissors', also operates, and operates ruthlessly, like a heavy press.

At the same time there has been a strengthening of the struggle in developing countries for economic independence and equality in economic relations with Western partners, which is expressed in a shifting of the centre of gravity in the development of industry to the public sector, liquidation of feudal landownership, nationalisation of foreign enterprises in order to establish effective sovereignty over their natural resources, and the training of their national personnel. The countries of Asia, Africa, and Latin America have become an active force in international politics. And although decolonialisation is not being completed without complications, these countries, while still experiencing the consequences of exploitation, discrimination, and economic coercion, are fighting today to limit the adverse effects of the imperialist



monopolies' expansion, and are taking part in working out a programme for international economic relations that would be fair and equitable.

American capital and the policy based on it are the main obstacles in the way of nations' independence and progress.

### 3.1. The scale of the increase of expansion

In the preceding chapter we demonstrated from concrete facts and comparisons how American imperialism, trampling on the sovereignty of the countries of Asia, Africa, and Latin America, increased the scale of economic expansion in them in the early postwar decades. Over those years the neocolonial substance of American foreign policy was finally moulded and intensified. The second half of the 40s, the 50s, and the early 60s passed under the sign of a predominant American infiltration of developing countries, and grabbing of the chief mineral deposits in them needed by the USA and its Atlantic partners. In accordance with the aims of the American foreign economic strategy then, that period can justifiably be called one of a sort of 'colonialisation' of the economies of developing countries by U.S. capital, when a kind of bridgehead was created for unimpeded pumping of material and financial resources out of developing countries to the USA in subsequent decades (as American strategists reckoned). As a result 70 per cent of the total capital exports from developed capitalist countries in the mid-60s fell to the share of the USA, and more than 51 per cent of their exports of capital to developing countries.

The goals of American foreign policy essentially remained the same, but the United States was forced to adapt herself to the developments in the world, and to the changing conditions of the functioning of capital in liberated countries. The class content of American foreign policy came out above all in a drive to contain advance of the world socialist system and to prevent the spread of socialism in developing countries. U.S. policy in respect of them is an important part of imperialism's fight against the social renaissance of our planet.

The first steps in that direction were made in the early 60s when President Kennedy's Administration began to implement its 'new approach' to developing countries. It is relevant to cite here the eloquent remark of the American historian Arthur Schlesinger, Jr. that

Kennedy's third world policy represented a considerable break from the Washington world view of the fifties... In the Eisenhower years the conduct of foreign affairs had rested on a set of abstract and unitary doctrines—about the uncommitted world, which we regarded as immoral; about the 'free world', or, as it was known in public documents, the Free World, which we hoped would conform to the principles upon which we fancied American society was based; and about the communist world, which we saw as a centralized conspiracy. Now each of these dogmas was undergoing revision.

As we stopped regarding neutralism as a sin, so we receded from the insistence that nations which received our aid should adopt our economic creed.<sup>37</sup>

<sup>37</sup> Arthur M. Schlesinger, Jr. *A Thousand Days. John F. Kennedy in the White House* (Houghton Mifflin Co., Boston, Mass., 1965), pp 609-610.

That turn in U.S. policy was predetermined by the break-up of the colonial system, as a result of which imperialism lost direct military and political control in most of the young states. The USA encountered a need to make considerable amendments to the practice of her economic relations with them, and for a certain programming of relations with them on a long-term strategic basis. That was the main feature of Kennedy's policy in relation to liberated countries, a policy that was possible in the conditions of American state monopoly capitalism's evolution in the 60s and that was adopted in the main by the following Administrations. Given the upsurge of the peoples' national liberation struggle and the intensification of its anti-imperialist and in some cases directly anti-American content, the line of pushing developing countries toward a capitalist version of development, 'management' of this process by means of sophisticated forms of economic coercion, and a course of neocolonial tying of their economies to the needs of developed capitalism, has become the key direction of the policy both of the USA and of its NATO partners so as to secure their rear in global competition with world socialism.

President Kennedy's Administration thus pursued a more flexible strategy toward developing countries, so as to preserve the foundations of the capitalist-cum-neocolonial relations that existed between them and, moreover, to consolidate these foundations.<sup>38</sup> Subsequently many claims were made in the USA about the advent of a 'new stage' in relation to developing countries; their ultimate sense, however, always boiled down to a single idea, viz., to get rid of responsibility for their backwardness, and to steer their development into a political channel advantageous to U.S. monopolies.

An expression of these anti-historical views was President Reagan's statement at the Cancun meeting of leaders of 22 countries in the autumn of 1981, when he advised the leaders of developing countries to follow the example of the legendary American cowboy and 'to pull themselves up by their own bootstraps rather than rely on outside help'.<sup>39</sup>

If the USA were really concerned for the fate of the peoples of Asia, Africa, and Latin America, and in eradicating backwardness and poverty, hunger and sickness there, she could, for example, advise them to stop pointless spending of resources on the arms race; the USA could, moreover, assume an obligation not to push them onto the road of militarism, to cut her own military appropriations, and to switch the freed resources, even partially, to development purposes. That is what the Soviet Union and other countries of the socialist community advocate. But the USA has not assumed such a responsibility, or given such advice, because that runs counter to the interests of American business.

If the President of the USA were really worried about the fate of oppressed nations he could advise them to tackle certain painful

<sup>38</sup> See Yu. M. Melnikov, *Vneshnepoliticheskiye doktriny SShA* (U.S. Foreign Policy Doctrines), Nauka, Moscow, 1970, p 217.

<sup>39</sup> *U.S. News & World Report*, 1981, 91, 17:23.



domestic problems through carrying out democratic social reforms in the interests of the broad masses, and could, at the same time, assume responsibility for reimbursing what the American monopolies had earlier stolen, and strictly control the U.S. transnational monopolies now operating in developing countries, because the historical responsibility for their economic and social backwardness, as we know, is not reducible just to the period of colonialism. The USA has not done that, however, because it, too, would contradict the interests of American capital or, as they are accustomed to say, 'the vital interests of America'.

Irrespective of changes in her foreign economic policy, the main instrument for carrying on the USA's international affairs is still the export of private capital, which was manifested particularly sharply in the second half of the 60s. American imperialists, as Gus Hall has remarked, are

opening a new drive to establish greater financial hegemony over all countries who are in their debt. They are demanding financial and economic subservience under the threat of cancellation of loans and the refusal to grant new loans.

There is also the new attempt to use food and agricultural products as weapons of hegemony, especially in relationships with underdeveloped countries.<sup>40</sup>

The figures in Table 7.21. show that the funds going to developing countries from the USA increased from \$5.3 billion in 1965 to \$31.1 billion in 1979, i.e. by a factor of nearly six. There were also substantial shifts in the structure of the exported capital. The increase in the flow of private direct investments from \$1.3 billion to \$8.1 billion calls for attention. Whereas 63 per cent of the total of U.S. capital exports to such countries in 1965 came from funds earmarked by the government, by the early 80s exports of private capital had become predominant and constituted 69 per cent of the total. This growth was strongest after 1973. (The reduction in the total of invested capital in 1976 and 1977 visible in Table 7.21 was linked with the consequences of the economic crisis of 1974-5, but was also due to a change in the methodology of accounting for foreign direct investments adopted by the Bureau of Economic Analysis of the U.S. Department of Commerce.) The activation of exports of American private capital in the 70s was linked with a marked sharpening of inter-imperialist rivalry, and an intensifying of the instability of the Western countries' economies; a steep fall in production and growth of unemployment were closely interlocked in them with such serious upheavals in the world capitalist economy as the raw material, energy, and monetary crises. In those conditions the international aggressiveness of U.S. capital mounted, and also its inherent drive to secure itself access to sources of primary commodities in developing countries, ensure markets for its finished goods, expand local markets and defend them against competitors, and increase profits.

The increase in American capital exports to liberated countries went hand in hand with a change in the methods of financing invest-

<sup>40</sup> *The Words of Friends* (Progress Publishers, Moscow, 1982), p. 284.

Table 7.21

Structure of the Annual Flow of U.S. Capital  
to Developing Countries, 1965-1979  
(\$ billion)

Form of exports	1965	1970	1975	1976	1977	1978	1979
Private capital	1.9	3.0	12.4	11.3	13.8	22.2	21.4
direct investments	1.3	1.7	7.1	3.0	4.7	5.6	8.1
portfolio investments	0.6	0.6	4.1	1.0	3.6	6.8	5.2
export credits	0.01	0.08	0.4	3.5	4.8	7.9	6.8
other exports (voluntary contributions, etc.)	—	0.6	0.8	0.8	0.7	1.9	1.3
Public capital	3.4	3.2	4.9	3.9	6.3	9.2	9.7
Total	5.3	6.2	17.3	15.2	20.1	31.4	31.1

Calculated from *International Economic Report of the President, 1977*, p. 172; *Survey of Current Business* for the respective years; *U.S. Overseas Loans and Grants and Assistance from International Organizations, July 1, 1945 to September 30, 1979* (U.S. Govt. Printing Office, Washington, D.C., 1980), p. 4.

ment. In the 50s and early 60s, the growth of U.S. investments came mainly from new inflows, but starting in the mid-60s there was an increase in the proportion of reinvested profits. In 1967, for example, the direct investments were up \$1.04 billion on the preceding year, 71 per cent coming from the USA, and 29 per cent from reinvested profits. In 1980 the growth on 1979 was \$8.9 billion, the proportion of reinvestment being 54 per cent of this.<sup>41</sup>

This trend toward a broadening of the expansion of American corporations through plowing back profits accumulated in 'recipient' countries is distinctly traceable in the separate regions as well as countries. In Asian developing countries, for instance, the year's growth of U.S. direct investments in 1980 was wholly financed from the profits made by American corporations from their operations there. When we turn to Latin America, where 73 per cent of the U.S. direct investment in developing countries is concentrated, the proportion of reinvestment in the increase in total investment of U.S. private capital was more than 90 per cent in 1980 (45 per cent in 1965). In the 70s the profits made by American corporations from exploitation of Latin American coun-

<sup>41</sup> Calculated from *Survey of Current Business*, 1980, 60, 8; *Idem*, 1981, 61, 8.



tries provided 35 to 62 per cent of the investment growth in Mexico, 43 to 79 per cent in Argentina, and 50 to 96 per cent in Brazil.<sup>42</sup>

These facts speak for themselves. They not only convincingly demonstrate how American private capital is 'growing into' the economies of Asian, African, and Latin American countries, but also serve as an indication of the intensification of exploitation of their peoples by American imperialism. The growth of American investments in these countries, which has the result of increasing their economic dependence, is obviously being made more and more from their own funds.

The figures in Table 7.21 also indicate that the USA has retained direct investments as the main form of her placing of capital in emancipated countries, and is also resorting to diversification of the form of capital exports, utilising an increase in portfolio investments and export credits in particular for that purpose. In the 70s the share of portfolio investments rose from 19.1 per cent to 24.3 per cent, and the proportion of private export credits from 2.7 per cent to 32 per cent, while there was a relative decline in direct private investments at the same time from 58 per cent to 38 per cent.

This increase in the proportion of portfolio investments and export credits is evidence of a marked activation of the American monopolies, which are granting up to two-thirds of the credits received by the developing countries from private sources either directly or via the Euromarket. The U.S. Federal Reserve System estimates that the Big Six predominate in this, i.e. the Bank of America, Citibank, Chase Manhattan, the Morgan Guaranty Trust, Manufacturers Hanover, and the Chemical Bank.<sup>43</sup>

American banks' expansionist operations are based on their growing power and domination of the international payments circulation and Eurocurrency dollar transactions, the presence of the U.S. in all international and regional financial centres (including Panama, Singapore, and the Middle East), and on the infiltration of American capital into the credit systems of most former colonies and semi-colonies. Finally, we must specially note the aggressiveness of the U.S. giant banks, their constant drive for profit, and to compensate the decline in profits within their own country by switching at forced rates to highly profitable operations, especially with borrowers in liberated countries (three-quarters of bank profits were coming from international transactions back in 1976).

The USA has become the biggest exporter of capital to developing countries. Suffice it to say that around 46 per cent of all the direct private investments of capitalist countries in the non-socialist world at present come from the United States.

The facts on the flow of American capital to developing countries for placing as direct investments also show the leading position of the USA in them, compared with other capitalist countries (see Table 7.22).

<sup>42</sup> See *Survey of Current Business* for August 1980 and August 1981.

<sup>43</sup> See *World Development. International Indebtedness and World Economic Stagnation*, 1979, 7, 2: 184.

It will be seen from these figures that, with fluctuations within the period (1965-79), American corporations have accounted on the whole for more than half of the flow of new direct investments from the capitalist countries in these years. That was by no means fortuitous. There is every ground, essentially, for saying that the increase in the expansion of U.S. private capital in developing countries since the mid-60s has had a purposive character, and has been one of the strategic tasks of U.S. foreign policy.

Table 7.22

Structure of the Annual Export of Capital from Capitalist Countries to Developing Countries in the Form of Direct Investments, 1965-1979 (per cent)

Capitalist country	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
USA	51.2	51.2	50.9	41.0	19.0	(-193.4)	69.0	39.9	51.2	50.3	59.2
Western Europe	43.2	37.1	38.6	47.7	48.6	202.7	25.5	38.8	36.1	33.1	33.6
France	15.2	6.4	5.1	5.5	6.1	21.3	2.6	3.1	2.8	3.7	5.0
United Kingdom	10.7	9.2	7.1	9.2	14.8	64.0	7.6	12.2	12.9	10.5	11.2
Netherlands	4.4	5.0	3.9	7.6	1.9	21.5	2.2	3.1	5.1	4.0	1.2
West Germany	4.2	8.6	10.8	14.2	16.7	62.4	7.8	9.8	8.9	9.2	6.1
Italy	2.7	3.3	6.5	6.6	5.2	8.9	1.4	2.7	1.7	0.6	3.4
Japan	3.5	7.1	6.7	4.8	27.6	62.8	2.1	13.9	7.6	11.8	5.1
Canada	1.5	1.7	2.3	4.1	2.6	17.2	2.9	5.5	4.1	4.1	1.3

Sources: 1965-1969 calculated from IBRD, *Private Direct Foreign Investment in Developing Countries*, Staff Working Paper No. 348 (World Bank, Washington, D.C., 1979); 1970-1979 calculated from OECD, *Development Cooperation. Review for the respective years*.

The data on the regional breakdown of investments are indicative. The figures in Table 7.23 show that the regional structure of U.S. direct investments in developing countries did not undergo substantial changes. The share of Latin America—the main field of the expansion of American private capital—accounted for 73 per cent of all U.S. private investments in developing countries in 1980 (72 per cent in 1955). The relative weight of Asia was 20 per cent in the same year (19 per cent in 1955), and that of Africa—7 per cent (9 per cent in 1955). In the period reviewed the total of American direct investments more than trebled, the increase after 1975 (when the total of invested capital doubled in the quinquennium) being particularly active. Suffice it to say that the net export of U.S. direct investments to these countries was \$14.9 billion in 1975-9, 52 per cent of it to Latin America.<sup>44</sup>

While the general growth of U.S. private capital exports to developing countries was quite stable, several countries recorded a significant

<sup>44</sup> Calculated from *Survey of Current Business*, 1981, 61, 2: 53.



outflow of American capital placed as direct investments. That concerns the Middle East and North Africa, primarily, where nationalisation (full or partial) of the property of American oil companies developed.

Table 7.23

U.S. Direct Private Investments in Developing Countries, 1965-1980  
(\$ billion)

Region	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Latin America	10.8	14.7	15.8	16.8	16.5	19.6	22.1	23.9	28.1	32.7	35.1	38.3
Asia	2.9	4.1	4.7	5.3	6.4	6.6	5.8	5.9	6.2	6.7	6.4	10.7
Middle East	1.5	1.6	1.7	2.0	2.6	2.1	-4.0	-3.7	-2.7	-2.2	-1.0	2.3
Africa	1.4	2.6	2.9	3.0	2.4	2.3	2.4	2.8	2.8	3.2	3.0	3.7
Total	15.1	21.5	23.4	25.2	25.3	28.5	26.3	28.9	34.5	40.4	43.5	52.7

Sources: Survey of Current Business for the respective years.

Note. After 1974 the tendency toward a reduction of U.S. direct investments in the oil industry of Middle Eastern countries because of nationalisation is not adequately reflected in American statistics. That is due to the fact that the Bureau of Economic Analysis of the U.S. Department of Commerce went over to a new method of accounting for foreign investments, under which parent oil companies' investments in their overseas non-incorporated affiliates began to be calculated from their net assets. Before 1973 the indebtedness of affiliates was relatively small, but it grew considerably as a consequence of the steep rise in oil prices, the scale of royalties, income tax, and the volume of oil produced. The minus sign arose in connection with the fact that a large part of the receipts from the sale of production was not included in the assets of affiliates but was transferred to the USA, while indebtedness in payments of taxes and royalties was put down to the affiliates. A result of this statistical operation was to hide the real volume of direct investments and the scale of compensation for nationalisation of the property of American oil companies, which exceeded the book value of the investments (see Survey of Current Business, 1977, 57, 8: 40, 45-47).

### 3.2. The forms and directions of expansion

The USA is finding more and more that she can no longer suppress the liberation movement and impose a policy suitable to her onto new countries by means of 'gunboat diplomacy', pressure, and *diktat*. Developing countries, furthermore, relying on the political and economic support of world socialism, have repeatedly forced American imperialism to retreat, and have struck the first blows at the modern system of exploitation of them created through U.S. transnational corporations. Both the flimsiness of the programme of bourgeois-reformist transformations in developing countries drafted by President Kennedy's Administration and the abortiveness of the tougher line subsequently followed by the Johnson Administration were thus revealed.

As the American researcher Stephen Krasner has noted, the nationalising of the foreign assets of American companies that began in the mid-60s was

a reflection of a general waning of American power at the global level... More important, the United States no longer can set the structure—the basic rules of the game and institutional arrangements for the international movements

of goods, capital, and technology. In particular, the United States is no longer able to defend and maintain a structure in which the exploitation, transportation, and marketing of raw materials is controlled by vertically integrated corporations based in the advanced industrial countries.<sup>45</sup>

The USA had again to review the arsenal of the tactical instruments of her policy in developing countries, because the former official American doctrine had significantly overestimated the opportunities for their economic growth, and their capacity to advance along the road of capitalist development in a short historical period.

The idea that the tools of U.S. foreign economic expansion should be adapted to the realities of the changing situation in developing countries, and orientated not only on extensive forms of relations with them but also on intensive ones, was already in President Kennedy's speeches. In his message to Congress in 1963, for instance, on the matter of aid to foreign countries, he stated:

Economic and social growth cannot be accomplished by governments alone. The effective participation of an enlightened U.S. businessman, especially in partnership with private interests in the developing countries, brings not only his investment but his technological and management skills into the process of development.<sup>46</sup>

A little more than a decade later, a period full of major changes in international economic relations like the growing instability of the developed capitalist countries' economies (above all the USA's) and the sharpening of inter-imperialist antagonisms on that basis, the intensification of these countries' dependence on the state of the world commodity markets and on the imports of basic mineral resources (especially oil), and the process of the dislodging of US private capital from key sectors of developing countries' economies, President Nixon, recognising in essence the changes in relations with developing countries, said the following:

U.S. relations with less developed countries (LDCs) can no longer be defined primarily in terms of aid programs. What we are striving for are comprehensive and coordinated development policies covering all aspects of our economic relations with LDCs... We look to a coordinated trade, investment and aid policy as a means to respond to the different needs of individual LDCs and to avoid or lessen the potential conflict between developed and less developed countries over use of resources, access to markets and equitable treatment of investment. Our objectives in the area of trade, investment and monetary reform can be jeopardized if the poorer countries are not brought into successful participation in a more open world economic system, and thereby afforded the opportunity to progress toward their development aspirations.<sup>47</sup>

If we ignore the inherent rhetoric of this statement, the President's main thought becomes clear, to wit that developing countries must become a constituent part of the world capitalist economy and that the USA, in order to realise that, would impose her will, employing a complex

<sup>45</sup> Stephen D. Krasner. *Defending the National Interest. Raw Materials, Investments and U.S. Foreign Policy* (Princeton U.P., Princeton, N.J., 1978), p 249.

<sup>46</sup> H.R. Committee on Foreign Affairs. *Hearings on the Mutual Development and Cooperation Act of 1973* (U.S. Govt. Printing Office, Washington, D.C., 1973), p 642.

<sup>47</sup> *International Economic Report of the President, 1974* (U.S. Govt. Printing Office, Washington, D.C., 1974), pp 19, 20.



approach that includes export of capital as well as development 'aid' and foreign trade.

In the early 70s, therefore, the USA started to implement its economic expansion in developing countries more actively, making certain tactical amendments to it. The Nixon Administration tried, by means of them, to reduce the degree of U.S. involvement in rendering 'aid' to so-called second-rate countries and to concentrate its main efforts on key states. Appropriations for government 'aid' were reduced, and the conditions for activation of the operations of private capital were broadened. This curtailment was dictated to some extent by U.S. domestic economic problems, in particular the chronic unfavourable balance of payments and the huge deficit of the Federal budget. At the same time the expansion of exports of private capital led in the short run to an increase in the U.S. adverse balance of payments, although these losses were subsequently compensated (in the estimates of Soviet economists) by a reverse transfer of profits for five or six years.<sup>48</sup> President Nixon's message to the Congress on foreign assistance (on 15 September 1970) stressed that the 'goal will be to expand and enhance the contribution to development of trade and private investment'.<sup>49</sup>

The organisational structure of 'aid' programmes also underwent a certain modification; the 'aid' programme for economic development was separated from 'aid' for 'security' purposes, so as to spread the responsibility of the government bodies running the various 'aid' programmes and properly evaluate the effectiveness of each programme from the angle of the interests of the U.S. government and monopolies.<sup>50</sup> In practice this reorganisation freed the hands of the advocates of active intervention in the affairs of other countries, especially by military methods and investments.

At the same time the U.S. government adopted several measures in the 70s to extend assistance to the export of private capital to developing countries; above all they included the setting up of the Overseas Private Investment Corporation (OPIC), repeal of the programme of compulsory limitations and control over the export of private capital (1974), and inclusion in the trade act of 1974 of a number of points that discriminated in the area of commerce and development 'aid' against emancipated countries that nationalised the foreign holdings of American companies.

The establishment of OPIC was an extension of the system of government insurance of American monopoly capital's investments in developing countries. There had been a system of public guarantees of private investments before it, but this function performed by the Agency for International Development (AID) was given specially to OPIC at

<sup>48</sup> For further details see G. G. Chibrikov, *Sotsialno-ekonomicheskiye posledstviya vyvoza kapitala* (Socio-Economic Consequences of the Export of Capital), Moscow University Press, Moscow, 1971, p. 85.

<sup>49</sup> *Public Papers of the Presidents of the United States. Richard Nixon, 1970* (U.S. Govt. Printing Office, Washington, D.C., 1971), p. 747.

<sup>50</sup> See R. I. Zimenkov, *The Strategy of U.S. Economic Expansion in Developing Countries*. In M. I. Zakhmatov (Ed.), *Op. cit.*, p. 319.

the end of 1969 in a broadened form that responded to private capital's striving to give a stronger impetus and at the same time a more independent orientation to programmes aiming to promote private American investments in developing countries.<sup>51</sup> The main directions of OPIC's operations were the granting of investment guarantees, direct financing, assistance with pre-investment feasibility research, and the provision of information needed by investors.

During its first ten years (1970-79) OPIC gave American companies operating in 68 developing countries investment guarantees to a total of around \$10 billion in political risk insurance alone which included insurance against expropriation, losses resulting from social disturbances, and other obstacles to the export of capital or of profits.<sup>52</sup> Since 1974 OPIC has assisted 681 investment projects to a total of \$66.8 billion. In the opinion of its president, J. Bruce Llewellyn, these activities correspond fully to the interests of the USA, since the investment projects enabled 47,000 additional domestic jobs to be created in the USA and \$5 billion worth of U.S. goods to be exported, and would ensure a net capital inflow to the USA of around \$155 million. It was not fortuitous that he declared in this connection:

Foreign investment is a two-way street which infuses new energy not only into the developing nations but into the U.S. economy as well by opening access to new and growing markets and generating increased exports of U.S. materials and goods.<sup>53</sup>

OPIC's activity has been broadening in recent years. In 1978 the U.S. Congress amended the range of its powers, which boils down to the following:

- (i) to promote an acceleration of capital exports to the least developed countries, where the GNP per capita was less than \$520 a year;
- (ii) to draw the small and medium-sized business into broader participation in operations on international markets, and to allocate it at least 30 per cent of OPIC's guarantees and insurances.

One may also add that OPIC was actively concerned at the end of the 70s with a programme to support projects to prospect for new sources of minerals and energy. The total insurance cover of projects to explore for oil in Egypt, Ghana, and Greece came to \$277 million in 1979; a loan of \$41 million was guaranteed for expanding mining facility in Indonesia; in 1980 OPIC provided insurance for the expansion of a nickel-copper-cobalt mine in Botswana. A new direction in OPIC's activity, too, is the letter of credit guarantee insurance—to strengthen 'the competitive position of U.S. construction and service contractors in bidding for overseas contracts',<sup>54</sup> and also the insuring of mixed enterprises in developing countries with participation of American capital, since the socio-economic changes taking place in them, and the process of nationalisation and increase of the public sector in the

<sup>51</sup> Christian Goux, Jean-François Landeau, *Op. cit.*, p. 67.

<sup>52</sup> H.R. Subcommittee on International Economic Policy and Trade, *Review of Activities of the Overseas Private Investment Corporation* (U.S. Govt. Printing Office, Washington, D.C., 1980), p. 58.

<sup>53</sup> *Ibid.*, p. 62.

<sup>54</sup> *Ibid.*, p. 59.



extracting industry in some of them, have forced American corporations in many cases (in particular in the case of Middle Eastern oil) to pass from the position of investors to that of contractors.

It is important to stress that the growth rate of U.S. direct investments in developing countries began to exceed the corresponding indicator for investment in the economies of developed capitalist countries in the second half of the 70s.<sup>55</sup> There was a general growth of transfers of financial resources to developing countries,<sup>56</sup> but it was not evidence, of course, of any lessening of their exploitation by foreign monopolies. The resources involved served to tighten the fetters on them, and to form an anti-popular bourgeois elite in some of them that would serve the foreign monopolies.

In addition to the main reason, viz., fear that the USA's position could be severely shaken by the pressure of the peoples' liberation struggle, one can also distinguish a group of factors entailing intensified growth of American direct investments in developing countries.

(1) The economic crisis of 1974-5, which was combined with exacerbation of the U.S. raw material and energy problems, sharply posed the issue of the reliability of sources of primary commodities and fuel in developing countries, and the need to consolidate the American position in the economies of the main countries of the developing world.

(2) The effect of several factors associated with the general character of the economic development of the USA herself began to be felt in the 70s, including American corporations' drive to transfer individual types of energy-intensive or raw material-intensive production (so-called dirty industries) to developing countries that had the appropriate resources. Closely linked with that is the shifting of several manufacturing industries (e.g., the assembly of finished articles from imported components) to countries with cheap labour.

(3) The sharpening inter-imperialist rivalry for markets and sources of raw materials also redoubled the USA's efforts to extend her economic expansion in developing countries; its whole course indicates that during the 70s the USA was gradually losing her influence in a number of developing countries because of active infiltration of their economies by West European and Japanese capital. Even in Latin America there was a decline in the share of U.S. direct investments in the total of invested foreign capital between 1971 and 1975 (from 38 to 32 per cent in Brazil; from 81 to 69 per cent in Mexico; and from 56 to 48 per cent in Colombia).<sup>57</sup>

U.S. direct capital investments in the economies of other countries are spread unevenly, as before. Some of the countries that permit U.S. private capital's investment are still cautious, putting certain limitations on it, despite the pressure they are often subjected to by the USA. Others, on the contrary, are flinging their doors wide open.

<sup>55</sup> *Survey of Current Business*, 1981, 61, 2: 51.

<sup>56</sup> UNCTAD. *Financial Resources for Development*. TD/B/C.3/167, 18 June 1980 (United Nations, New York, 1980), p 7.

<sup>57</sup> United Nations. *Transnational Corporations in World Development: A Re-examination* (U.N., New York, 1978), p 253.

American statesmen and spokesmen of business, in trying to justify the growth of American investment abroad, stress that this growth is mainly due to the influx of labour into the USA having been steeply reduced in the twentieth century by US immigration laws, and also to American monopolists' having capital that cannot find application in the country. The export of capital, they claim, thus only promotes employment of the cheap labour of Asia, Africa, and Latin America on the spot rather than in the United States.

Such arguments pursue a single aim, of course, namely to hide the chief reason why capital is directed abroad. The main aim is profits, and profits that are the greater the more intensively American capital infiltrates the economies of foreign countries.

Many American companies are seriously disturbed by the growing struggle of the peoples of Asia, Africa, and Latin America. One can often find admissions in the press that many companies allegedly have a negative attitude to overseas expansion and that fear keeps them at home.

American monopolies, it goes without saying, would like to reap huge profits from foreign investments without risking their capital, but they meet resistance to their policy from a number of governments as well as from the broad public. But military and strategic interests, and the drive for profit, are ultimately pushing more and more American companies to invest abroad and that, moreover, as we saw above, on an increasing scale. The USA is constantly trying, as well, to picture things as if she were fostering a rise in standards of living in the countries where U.S. capital operates. The chief aim of such claims is clear, viz., to try and present the activity of American capital in the most favourable light, in spite of the fact that it is largely because of it that industries that alone could guarantee liberated countries' economic independence are not developed in them.

American statistics do not permit us to make a full comparison by years of a number of facts about U.S. direct investments in individual Asian, African, and Latin American countries, or about their structure. That is because many facts are not accessible because of 'commercial secrecy', and also because much data previously published on direct investments was revised in the 70s, since the method of accounting had been changed, and not counted anew for separate countries. Nevertheless the returns of the two censuses of U.S. direct foreign investments, made in 1966 and 1977, present considerable interest; taken together with the data for 1981 published in 1982 they make it possible to single out the main developing countries and territories that are recipients of American private capital, and the main spheres of U.S. companies' investment (see Table 7.24).

The geographical spread of U.S. direct investments in 24 developing countries, to which from 92 to 87 per cent of all U.S. direct investments in developing countries went in the years 1977-81, indicates the selective character of the distribution of capital in them. The monopolies typically concentrate investments in countries that have more or less stable political regimes, rich natural resources, a big domestic market, and



Table 7.24

Structure of U.S. Private Direct Investments in Developing Countries and Territories, 1966-1981  
(\$ million)

Country or territory	1966				1977				1981			
	Total	Mining	Oil	Manufacturing	Others	Total	Mining	Oil	Manufacturing	Others	Total	per cent
Bermuda	293	0	152	4	137	7,708	0	-343	1	8,050	40,353	48.9
Brazil	882	28	70	574	240	5,695	409	326	4,093	1,167	8,253	15.1
Mexico	1,329	95	29	927	278	3,201	83	93	2,400	625	6,962	12.8
Panama	847	0	70	18	759	2,442	4	314	127	1,997	3,671	6.7
The Bahamas	290	0	27	69	194	997	...	...	31	859	2,987	5.5
Argentina	758	...	121	510	...	1,262	...	226	795	241 <sup>2</sup>	2,735	5.0
Hong Kong	426	0	36	18	72	1,328	0	271	201	856	2,655	4.9
Venezuela	2,436	...	1,544	281	...	1,560	(*)	-54	862	752	2,175	3.9
Peru	651	360	...	128	...	1,160	...	315	...	79	1,928	3.6
Indonesia	406	0	97	0	9	984	...	736	97	...	1,861	3.4
Singapore	30	0	...	4	...	517	0	232	106	179	1,791	3.2
Philippines	486	...	...	166	196	837	(*)	273	317	247	1,294	2.4
Colombia	459	...	86	193	...	662	...	170	348	...	1,178	2.1
Egypt	...	...	...	...	...	644	0	599	4	41	1,082	2.0

Trinidad & Tobago	...	...	...	...	...	974	0	852	...	...	932	1.8	0	808	102	22
Malaysia	57	4	26	6	21	464	4	...	86	...	852	1.6	3	497	244	108
Chile	765	439	...	47	...	159	...	51	...	...	834	1.5	...	98	112	169 <sup>1</sup>
South Korea	42	0	...	12	...	395	0	...	164	...	778	1.4	0	315	163	300
Thailand	51	0	...	18	...	237	6	...	51	...	561	1.0	40	406	24	121
Libya	305	0	297	0	8	44	0	38	3	3	500	0.9	0	473	46	111
India	226	0	...	134 <sup>3</sup>	...	318	0	14	249	55	431	0.8	0	44	322	65
Ecuador	...	...	...	...	...	247	0	147	59	41	277	0.5	0	...	107	...
Liberia	124	...	10	1	...	294	...	1	0	...	259	0.5	31	13	(*)	215
Nigeria	219	1	204	4	10	-21	0	-149	36	92	218	0.4	0	2	76	140
Total (in a percentage of all direct investments in developing countries)	72.8					92.2 <sup>4</sup>						87.0 <sup>4</sup>				

<sup>1</sup> Only commerce and banking.<sup>2</sup> Including mining.<sup>3</sup> Including the oil industry.<sup>4</sup> Without disinvestment in the Middle East (1977) and Caribbean (1980).

(\*) Less than \$500,000.

... Not available.

Sources: calculated from U.S. *Direct Investment Abroad, 1966. Final Data, p 31; U.S. Direct Investment Abroad, 1977, p 46; Survey of Current Business, 1972, 52, 11:30; Idem, 1982, 62, 8: 22.*



a developed home industry. We would also add that the geographical position of developing countries plays a certain role, viz., there are no U.S. direct investments in the least developed countries, and this includes those that do not have access to the sea.

The principal countries for the investment of American capital are in the Western hemisphere (Argentina, the Bahamas, Bermuda, Brazil, Mexico, Panama, Peru, and Venezuela). Their share of all U.S. direct investments in developing countries was 72 per cent in 1981. The sectoral 'specialisation' of the capital invested in them comes out clearly: two-thirds of the U.S. investments in the economies of Argentina, Brazil, Mexico, and Venezuela were concentrated in manufacturing, while 98 per cent of the investment in Bermuda and the Bahamas, and in Panama, was in credit, financial, and insurance institutions. The absolute scale of investment in the last three rose steeply from 1955 (\$1.3 billion) to reach the gigantic sum of \$16.0 billion by the end of 1981 (nearly one-third of all U.S. direct investments in the developing world). This marked flow of U.S. capital, above all to Bermuda, is due to the extremely favourable tax regime there, which enables American corporations to set up a great many holding companies to run daughter enterprises and affiliates in all parts of the world. In 1980, 43 per cent of all U.S. direct foreign investments in credit, financial, and insurance institutions was made in these three countries.<sup>58</sup>

The export of U.S. capital to Latin American countries has led to an increase in their dependence on the USA.

American capital investments in the economies of Latin American countries have been made both through enterprises wholly owned by American monopolies, and through mixed enterprises. In Mexico, for example, 56 per cent of the American affiliates were wholly owned by mother (American) companies; the rest were jointly owned, but in only 15 per cent did American corporations own a minority of the shares. The general aim of their operations in both cases is to try and limit development of national industries by which Latin American countries could build their own balanced, independent economies, and to transfer the simplest manufacturing industries to them (which often does not suit their national industrialisation plans).<sup>59</sup>

American capital is usually put into industries that are subsidiary to American industry and cannot compete with it. By planting enterprises intensively in Latin American countries and taking part in mixed firms jointly with certain local business circles, American capital gets the chance to promote or prevent the development of individual industries, which is facilitated by the U.S. monopolies' drive to subordinate these countries' foreign trade to their own selfish interests as well as to increase their investments in them.

The bulk of U.S. direct investments in Brazil's manufacturing is placed in chemicals and engineering (56 per cent). The structure of U.S. investment in the manufacturing industries of Argentina, Mexico,

and Venezuela looks roughly the same. American companies in fact wholly control the automobile industry of Brazil, own 80 per cent of the pharmaceutical industry, around 50 per cent of the chemical industry, 47 per cent of the production of aluminium, and 50 per cent of the engineering industry. The four biggest U.S. financial groups (the Morgans, Rockefellers, First National City Bank, and the Bank of America) control two-thirds of the funds of all American companies operating in Mexican manufacturing. We would also note that U.S. corporations are actively consolidating their position in Latin American manufacturing: in 1979 alone 87 per cent of the net influx of capital from the USA into the manufacturing industry of all developing countries went to Latin America and correspondingly 66 per cent of the reinvestment.<sup>60</sup>

There was a growth of U.S. direct investments in Asian countries in the 70s, especially in South-East Asia. But the distribution of private U.S. capital by countries there also indicates the selective character of investment decisions. The list of the 25 biggest fields of investment includes Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan, Thailand, South Korea, and India. They accounted for 16 per cent of U.S. direct investments in the developing world in 1980. As we have already remarked in earlier chapters, South-East Asia has been a constant object of close attention by the American government and American entrepreneurs. The government attached immense importance to the strategic location of this region, and to extension of its network of military bases, while American business was attracted by the favourable investment climate, rich deposits of minerals, and cheap labour.

Over almost the whole postwar period U.S. policy in this region of the world has been aimed at suppressing the national liberation movement, and at aggressive military and political intervention in the affairs of Indochina so as to impose on it, by force of arms, an order advantageous to the USA. For many years the USA waged war against the Vietnamese people, invading South Vietnam with a half-million army. Grossly infringing the international Geneva agreements on Vietnam, she became the aggressor and waged a war in which she pursued expansionist aims. Her defeat in 1975 showed that the peoples' struggle for freedom, national independence and social advance is irrepressible, that it is impossible to shoot it down or burn it by napalm. The finale of the many years' conflict there also showed that any attempt to dictate to other nations, all the more so by force of arms, is bankrupt and ultimately collapses. The U.S. position in this area was seriously undermined in the mid-70s.

It seemed that the radical change in the situation in Indochina had created more favourable conditions for organising peaceful co-operation in Asia as a whole, including economic co-operation, but the United States responded to it by a marked increase in political and economic expansion. The direct investments of American companies in Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan, and

<sup>58</sup> *Survey of Current Business*, 1981, 61, 8: 32.

<sup>59</sup> *The News* (Mexico City), 1 July 1980.

<sup>60</sup> *Survey of Current Business*, 1981, 61, 8: 33, 35.



Thailand increased from \$900 million in 1966 to \$4.6 billion in 1977 and reached \$7.2 billion in 1980. As a result their relative weight in the total of U.S. direct investments in developing countries rose from 6 per cent in 1966 to 14 per cent in 1980.

At the end of the 70s, 361 affiliates of American companies were operating in Hong Kong, where they had invested the biggest amounts going into all the developing countries of Asia: the assets of these companies came to around \$11 billion. The bulk of the funds was in banking (75 per cent).<sup>61</sup> At the same time the main spheres of the investment of American private capital in Indonesia, Malaysia, the Philippines, Singapore, and Thailand are the oil and manufacturing industries. In Indonesia 74 per cent of the U.S. direct investments in 1980 was in oil exploration and production in 'partnership' with local public companies. In the same year 38 per cent of the U.S. investment in Singapore was in oil refining. In both cases there was a tendency to steady growth of investment in the oil sector of their economies.

U.S. companies' investments in the manufacturing industry of Asian countries rose significantly in the 70s. The biggest were made in the economy of the Philippines (\$531 million in 1980), where U.S. capital had a dominant position in oil refining, chemicals, and pharmaceuticals. In Singapore and Taiwan American companies had put \$391 million and \$333 million respectively in the same year, mainly into oil refining, electronic assembly plants, and engineering. There was also a growth of such investments in the economies of Indonesia and South Korea.

The data of international economic agencies indicate that there has been a certain development of manufacturing in developing countries in recent decades; in particular their relative weight in world production and marketing of finished goods has increased. According to UNIDO the share of developing countries in the production of finished goods rose from 6.9 per cent in 1960 to 9 per cent in 1977, and in trade from 4 per cent in 1960 to 8 per cent in 1976.<sup>62</sup> This process was most intensive in Argentina, Brazil, Colombia, Hong Kong, India, Malaysia, Mexico, Pakistan, Singapore, and South Korea, whose share in the second half of the 70s was about 60 per cent of the developing countries' manufactured exports.<sup>63</sup> That American private capital operates actively in most of these countries merits attention.

U.S. foreign economic strategy in developing countries is orientated more and more on extending relations with the most developed of them, and on altering the character of their dependence, assigning them the role of an auxiliary, foreign link in the present-day business machine of the United States. Whereas in 1966 U.S. direct investment in developed countries' manufacturing was 25 per cent of all American companies' direct investments in them, in 1977 it was 36 per cent.<sup>64</sup>

<sup>61</sup> U.S., *Direct Investment Abroad*, 1977, pp 7, 32.

<sup>62</sup> United Nations, *Industry 2000—New Perspectives* (U.N., New York, 1979), p 60.

<sup>63</sup> United Nations, *World Industry in 1980* (U.N., New York, 1981), p 241.

<sup>64</sup> U.S., *Direct Investment Abroad*, 1966. *Final Data*, p 34; U.S., *Direct Investment Abroad*, 1977, p 46.

In infiltrating the manufacturing industry of developing countries more and more deeply, and varying forms and methods of her expansion, the USA pursues the objective of consolidating their technological dependence. She is straining to tie developing countries to herself by a thousand ways and means, so as to dispose of their natural wealth more freely and to use their territory for her own strategic purposes, all of which is evidence of the growing aggressiveness of U.S. monopoly capital, and of its drive to exploit the sphere of foreign economic exchange in general, and the export of capital in particular, for strengthening its shaky positions.

Since the new Administration took office in Washington there has been a further shift to the right in U.S. foreign policy, economic policy included. Having identified the home and foreign policy interests of the American state with the interests and aims of Big Business, the present Administration has removed every restriction in the way of expansion of U.S. private capitalist business in developing countries, which means that the latter must, in the views of Washington strategists, become the object of ever greater exploitation and oppression.

### 3.3. The change in conditions of exploitation (investment in oil)

U.S. economic expansion in developing countries in the 70s reached the stage when the ousting of American companies from the positions they had occupied in several countries fighting for genuine national liberation became a reality. In those conditions American capitalism resorted to an old trick, viz., to claim its vested interests as national ones. A conception of 'vital interests' has arisen, whose real essence was exposed at the 26th Congress of the CPSU (attention was drawn to that in Chapter 1). U.S. foreign policy, as unbiased writers have had to admit, is aimed at providing guarantees for private property, freedom of markets, and profits for internationally based U.S. business. Defence of real and potential profits, that is what underlines the conception of 'vital interests' being protected by the whole might of political, economic, and military means.

At the same time U.S. monopolies have had to make concessions of a sort. That has been particularly noticeable in respect of investments in the production of oil in countries in the Middle East and North Africa.

In the previous chapter we spoke in detail about the history of U.S. monopoly capital's grabbing of oilfields in developing countries in the first decades after the war. In the 70s the oil-exporting countries, above all the Arab ones, began gradually to break the system of exploitation of their natural resources and manpower by American, Japanese, and West European capital. The change in the position of U.S. monopoly capital has resulted from the general process of the oil-producing countries' fight against the transnational corporations' dominating position, and for using their oil wealth to develop their national economies.



After World War II, let us recall, the capitalist oil market was grabbed by the international oil cartel, which included giant American oil monopolies—the Big Five (Standard Oil of New Jersey, Mobil Oil, Texaco, Gulf Oil, and Standard Oil of California), and British Petroleum and Royal Dutch-Shell. Although at least 40 U.S. oil companies had been operating in the Middle East by the mid-70s, the Big Five produced around 60 per cent of the oil in the region and remained the main U.S. expansionist force in oil-producing countries.

Their activity was a decisive factor determining the place of North African and Middle Eastern countries in the system of international economic relations as sources and suppliers of cheap energy resources for capitalist countries. The book by Anthony Sampson, the well-known English publicist, said that the U.S. oil companies mentioned above had built themselves up into some of the biggest corporations in history primarily through the ownership of concessions in developing countries, and predominantly in the Middle East.<sup>65</sup>

The national liberation struggle in these countries was spearheaded on ousting the American monopolies. In the set of measures employed against U.S. capital the most important as regards their economic and political consequences were revision of the unequal concession agreements, nationalisation of the property of American oil companies, and the raising of oil prices.

Revision of the unequal concessions was the first step in the Arab countries' common struggle for a restructuring of relations with foreign oil monopolies. The changes that took place in the Arab East in the 50s and 60s in the practice of granting concessions and the terms of the operations of the concessionary companies were a compromise and constituted, as it were, the prehistory of the collapse of the concession system inherited from colonialism. In spite of the fact that the Arab countries made demands for the gradual return of the concession areas to the state, the companies only altered the financial terms of the existing agreements and extended their practice of using new types of agreement on oil exploration and production, in which the role of the national states was increased. The concession system, however, retained its basis in the principal oil-producing countries until the early 70s. The system, and with it American capital's monopoly in uncontrolled access to the resources of the oil-producing countries, could only be liquidated through nationalisation of the oil companies' assets.

The considerable social and political heterogeneity of the oil-exporting countries, especially the Arab ones, had a substantial influence on both the anti-American direction of their actions and the consequences of the measures they took. This effect was seen in the variety of forms and methods of nationalisation. But, for all its differences, the oil-producers' struggle for economic independence has yielded the biggest results precisely through nationalisation. By 1975 their national oil companies had owned 62 per cent of the capitalist world's

<sup>65</sup> Anthony Sampson. *The Seven Sisters. The Great Oil Companies and the World They Made* (The Viking Press, New York, 1975), p 185.

production of oil (in 1972, 12 per cent), while the share of the companies of the international oil cartel shrank from 73 to 30 per cent.<sup>66</sup>

The nationalisation of the oil industry carried out in Iraq in 1972-5 was the result of a long struggle against foreign capital that had begun at the end of the 50s with a demand for the return of a larger part of the territory to which Iraq Petroleum had been granted a concession. Iraq's victory, won in the struggle against the international oil cartel, had great political and economic significance. Iraq and Syria (though the latter's oil production is not high) belong to the group of Arab countries in which the property of the American major companies was completely nationalised. The implementing of that measure furthered the establishment of a public sector which was developed with economic support from countries of the world socialist community. At the same time Iraq and Syria did not reject the use of American capital to carry on further exploration for oil and gas. But the scale and forms of its involvement for that purpose were limited and did not diminish the leading importance of the public sector.

Other countries of the Arab East (Libya, Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar) chose the road of partial and stage-by-stage nationalisation. Characteristically, it is these countries that produce the bulk of Middle Eastern oil. Their choice of this way of limiting the operations of foreign (especially American) capital was due not only to the oil companies' dominant position in their economies, but also to the self-interest of the conservative feudal-monarchist regimes that predominated in most of them in maintaining both economic and technical links with the international oil corporations, and political relations with the USA.

The struggle around American investments in Libya was involved and contradictory. On the whole, however, one can speak of important results from nationalisation in the oil sector of her economy. The public share in oil production reached 70 per cent in the mid-70s.<sup>67</sup> The Western press, citing Libyan sources, noted that Libya 'would not hesitate to take full control of the oil industry "whenever [she] can manage [her] own fields"'.<sup>68</sup> But even partial nationalisation has led to a marked restriction of the international oil companies' operations there, and to the creation of a big public sector. The anti-imperialist character of the revolution of 1 September 1969 was displayed in that. Subsequent events showed that Libyan resolute anti-imperialist course enraged the U.S. monopolies and their political supporters.

The Persian Gulf countries signed a General Agreement on Participation in December 1972 (which has come to be called the Percy-Yamani Agreement in the literature, after the Vice-President of Exxon, George Percy, and the Oil Minister of Saudi Arabia, Sheikh Ahmed Zaki Yamani). It provided for a long process, advantageous to the

<sup>66</sup> A. E. Primakov. *The Petroleum Transnationals and the Oil-Producing Countries: the Evolution of Relations. SShA: ekonomika, politika, ideologiya*, 1981, 11: 17-18.

<sup>67</sup> *Petroleum Economist*, 1976, 43, 11: 424.

<sup>68</sup> *Ibid.*



American oil companies, of gradual transfer of the assets of their Middle Eastern affiliates to the Arab states, by which the share of public 'participation' was to be 51 per cent in 1982. The development of events, however, altered the 'gradualness' on which the U.S. oil companies had staked. Iraq and Libya withdrew from the agreement and adopted 'unagreed' nationalisation measures. The Persian Gulf countries, while not formally disputing the Percy-Yamani Agreement, in fact acted more resolutely than had been supposed earlier.

In practice there was a gradual modification of the understanding reached. Kuwait signed an agreement with U.S. companies in 1974 but on altered terms: (1) she acquired a 60 per cent share; (2) the scale of compensation was reduced; (3) the term of the agreement was shortened. After Kuwait the other parties to the 1972 agreement followed suit. At the beginning of 1974 Saudi Arabia and Qatar also began to acquire a 60 per cent share. In December 1974 the government of Kuwait and, in September 1976, that of Qatar decided to acquire 100 per cent of the property of the companies operating on their territory, which included the Kuwait Oil Company and the Qatar Petroleum Co. (Exxon and Mobil jointly owned 23.75 per cent of the latter's capital).

In 1976 there was a new round of negotiations between the shareholders of the Arabian-American Oil Co. (Aramco) and the government of Saudi Arabia on the acquisition by the latter of the remaining 40 per cent holding in the joint company. In September 1977 Saudi Arabia's full acquisition of Aramco was announced.

The conception of relations between the oil companies and the Arab states based on 'participation' (partnership in the sharing of the assets of American corporations' oil-producing affiliates) had been worked out as a kind of counterweight to nationalisation of their property in the Middle East and counted on long-term consolidation of an effective presence of American capital in the oil industry of Arab countries. The monopolies regarded 'participation' as a means of preventing full nationalisation since several Arab countries had announced that they intended to resort to this measure and strengthened their position by practical steps in that direction. That is to say, 'participation' had been worked out as a strategy of partial concessions within fixed limits, a line that also corresponded to the calculations of the conservative regimes of certain Arab countries, primarily Saudi Arabia, to maintain special relations with the United States.<sup>69</sup>

Under the impact of the situation in the Arab world as a whole, however, and the success of the anti-monopoly actions of the members of the Organisation of Petroleum-Exporting Countries (OPEC), the actual course of events in the Arab states of the Persian Gulf dished the monopolies' staking on 'participation' as an alternative to nationalisation. The practice of 'participation' can be regarded as an intermediate stage and transition period to nationalisation of the American oil companies' property. In Saudi Arabia and several other Arab countries that had orientated themselves on the Agreement on Participation there

was a development toward nationalisation. The U.S. oil companies continued to cling to the formula of 'participation' thus retarding this trend. However, only the means and rates of the nationalisation of foreign property in developing countries' oil industry proved to be modified under the system of 'participation'.

Was this development of events not a natural consequence of U.S. monopolies' economic exploitation of the manpower and natural resources of oil-producing countries? one may legitimately ask. For the propaganda campaign that was developed in the West, above all in the USA, and which still continues, blames the Arab countries for the energy and all other difficulties of the capitalist economy.

It is well known that the Arab oil-producing countries took a number of steps to defend their economic interests, and to restore their rights, violated by imperialist expansion. To claim the opposite is to distort the facts. Is the present position with oil in the West not really the result of a certain policy and a consequence of the fact that the oil-producing countries' natural wealth has been rapaciously exploited for decades? And, on the other hand, is not the policy of Israel and her annexation of Arab territories and stubborn reluctance to withdraw from Arab lands seized by force, also really to blame? The one aspect cannot be separated from the other in this intermingling of politics and economics.

In the 70s, when a lack of fuel and energy materials made itself acutely felt in quite a number of capitalist countries, the term 'oil crisis' gained currency. But energy shortage does not threaten mankind, and most experts think so. Science has still not said her last word on the mastering of new sources of energy. The reasons for the crisis are social and political rather than natural. The best evidence of that is the fact that the socialist world has not been confronted by it. That is why the USSR and other fraternal socialist countries are supporting the actions of those countries that see the way out of the crisis in consistent restriction of the operations of expatriate oil companies, which bear the main responsibility for its origin. No sane politician can help but recognise the legitimacy of actions designed to protect nations' sovereignty over their natural resources, to force respect for their territorial integrity, and to defend their independence.

The issue of the oil prices was the most acute and complicated one in the whole set of problems associated with exploitation of oilfields in developing countries. The discussion of prices, and even more attempts at reform in that sphere, have always been accompanied with a fierce struggle between the oil companies and the oil-producing countries, which have been striving since the forming of OPEC in 1960 to raise the posted price of oil so as to increase their revenues. The rise in oil prices became the clearest expression of the crisis of the neocolonialist cheap energy policy pursued by the USA and other imperialist countries. This crisis clearly showed the producer countries in a new role in the sphere of price fixing.

A fundamentally new situation arose on the world oil market in this respect only in the 70s. It took shape under the influence of both gener-

<sup>69</sup> See *U.S. News & World Report*, 1982, 92, 1: 30-31.



al political and economic factors. The changes in the balance of power continuing in the world in favour of socialism must also be seen as an important precondition of the success of the struggle waged by the Arab countries and other oil producers. It was this factor that markedly limited the possibilities of the imperialist countries' 'counter-game' against the Arabs' actions in regard to oil prices.

The raising of the prices of Arabian oil, the basis for which was the statement issued by the Ministerial Committee of the Persian Gulf oil-producing countries on 16 October 1973 in Kuwait,<sup>70</sup> was linked with the acute aggravation of the situation in the Middle East. The communiqué of the Conference of the Oil Ministers of Saudi Arabia, Kuwait, Iraq, Libya, Algeria, Egypt, Syria, Abu Dhabi, Bahrain, and Qatar (17 October 1973) said that

the United States has been active in supplying Israel with the means of power which have served to exacerbate its arrogance and enable it to challenge the legitimate rights of others and the unequivocal principles of the public international law.<sup>71</sup>

The Arab-Israeli military events in October-November 1973 and the anti-Arab policy of the major imperialist powers, headed by the United States of America, forced the Arab countries to take measures to reduce output of oil and impose a selective embargo on supplies to those capitalist countries that supported Israel in its war against Egypt and Syria.

The actual situation on the capitalist world oil market also helped the Arab countries to succeed. In the 60s a rise in oil prices on OPEC's initiative was improbable. The world market situation for oil then favoured the consumers (which was part of the oil monopolies' strategy), and the supply of oil exceeded demand. In those conditions the oil companies of the USA and other Western countries were able to maintain a system of monopoly-low prices for crude oil, which was a main element in the machinery for robbing the producer countries and making superprofits.

An abundant supply of cheap oil enabled capitalist countries gradually to cut back their own production of coal and to orientate themselves more and more on the more profitable import of oil. A geographical gap thus arose between the places where oil was produced and where it was consumed, and a rigid dependence of the developed capitalist countries on oil-producing states was established. That dependence was the result of imperialist expansion in developing oil-producing countries, especially in the Middle East and North Africa.

At the end of the 60s the supply of oil ceased to outrun demand, and there were changes in the oil market. That development of events enabled OPEC countries, especially the Arab ones, to act decisively in defence of their national natural resources and to force a radical revision of the prices for crude oil.

The relative stability of oil prices in the 60s was followed by a leap in the 70s. While the price of a tonne of light Arabian oil was \$13.14 in 1965, and \$15.91 in January 1971, it rose to \$85.50 by 1974, to \$99.65 by the end of 1977, and was approaching \$250 at the end of 1981.

In sum, the international oil corporations' monopoly of price fixing, especially the American Big Five's, collapsed as a result of the oil producers' unilateral measures; the system of rapacious, monopoly-low oil prices was liquidated. A powerful blow was struck at the positions of the American companies in the oil industry of developing countries; the institution of concessions that arose in colonial times became, in practice, a thing of the past; and the sovereign right of oil-producing developing countries to dispose of their own natural resources was consolidated in new oil prices.

The new system of fixing prices ensured the producer countries a solid source for financing economic development. Suffice it to say that while the income of the Arab oil producers alone has been around \$7.5 billion in 1972, it was estimated at \$57 billion at the end of 1975. In 1980 the total of the funds accumulated by the members of OPEC reached the huge sum, according to some estimates, of \$350 billion.<sup>72</sup> As a result they were able to use their steeply mounting revenues from oil operations to buy up American firms, and some of them began gradually to play the role of exporters of capital; over the period 1974-9 the members of OPEC placed more than \$200 billion in the economies of Western countries, of which more than \$50 billion went to the USA.

All these events created a quite new situation for the American oil companies' operations in developing countries, especially in the Middle East. In recent years the American statistics, as we commented above, indicate that there has been entrepreneurial disinvestment in that region. That does not, by any means, imply that there are no U.S. direct investments in the Middle East. On the contrary, not only was the residual position of the U.S. oil business there disguised after nationalisation by means of certain statistical manipulations (see the note to Table 7.23), but so too were the new investments of American private capital in various branches of the economies of Arab oil-producing countries. Between 1975 and 1979 the total of private capital exported from the USA for direct investment in the Middle East was more than \$5.1 billion; when the reinvestment of profits is taken into account it was \$6 billion.<sup>73</sup>

In the 70s the American companies' machinery for extraction of profit from operations in Middle Eastern oil countries underwent an abrupt change. The Arab countries substantially raised the rates of income tax and royalties then: income tax on the profits of American and other foreign companies was raised from 50 to 85 per cent in 1970-74. The press stressed that the profits of the American oil corporations operating in that area were much reduced by these measures (see Table 7.25).

<sup>70</sup> See *Arab Oil & Gas Directory*, 1974 (The Arab Petroleum Research Center, Beirut, 1974), p. 411.

<sup>71</sup> *Ibid.*, pp. 412, 413.

<sup>72</sup> *Euromoney* (London), 1980, 9: 108.

<sup>73</sup> *Survey of Current Business* for the years concerned.



Table 7.25

**American Companies' Profit-Making from Middle East Oil Operations**  
(\$ per barrel)

Year	Operational expenditure	Government profit	Companies' profit	Year	Operational expenditure	Government profit	Companies' profit
1951	0.20	0.75	0.80	1973*	0.15	1.80	0.35
1960	0.20	0.80	0.80	1974	0.15	10.10	0.20
1970	0.10	0.95	0.35	1975	0.25	11.00	0.25

\* Till October 1973.

Source: Exxon. *Middle East Oil* (Exxon Background Series), 1976, p 15.

It is seen from the Table that American companies' profits averaged 25 cents a barrel in the mid-70s on oil lifted in the Middle East, which was considerably less than in the preceding decade. But on the whole the significance of the oil-producing countries' measures to stiffen the financial conditions of American oil companies' operation, and of nationalisation, was much broader. The American companies found themselves in a situation when the volume of their profits came to be determined by the oil producers; the U.S. private capital's economic position was seriously damaged after the young states brought under their control the most of the oil industry in the region.

The first half of the 70s is rightly regarded as the turning point when, on the one hand, the growth of U.S. direct investments in the Middle East reached their peak (around \$3 billion in 1974)<sup>74</sup> and, on the other hand, there began a marked reduction of the capital invested by the U.S. companies, as a consequence of nationalisation of the property of foreign oil companies. The biggest U.S. corporations lost their main positions in the oil industries of Iraq, Kuwait, Saudi Arabia, Qatar, and Bahrain; that is an important result of the 70s. The acquisition of the property of the main American companies by the state has been, or is being, completed in those countries. American oil assets in Libya and the United Arab Emirates have also been largely nationalised.

Although the property of American oil companies was nationalised by compulsory purchase in several countries, this was a generous compensation for the owners, the scale of which was determined by mutual agreement. It is reported, for instance, that Saudi Arabia paid the American companies that were shareholders in Aramco compensation of \$2.7 billion for acquiring a 60 per cent share. The compensation paid exceeded the book value of the nationalised property, so that the U.S. oil corporations suffered no direct financial loss in consequence. Furthermore, they reckoned on being able to continue their operations in the oil-producing countries in the future as well.

The diminution of the role of U.S. companies as direct investors in oil production was thus not accompanied with an equivalent lessening of their presence in the region or reduction of the scope of their opera-

tions in its oil industry, although nationalisation had decided the important issue of principle of the ownership of the oil produced. Furthermore, the USA activated her operations in the Middle East in the second half of the 70s, using in her own interests the region's countries' remaining dependence on foreign oil corporations for the transportation and marketing of oil, and their acute lack of trained engineers and management personnel. The American companies, often operating on a sharing basis with either the state or private national capital, further extended their entrepreneurial activity in the oil industries.

Infiltration of the manufacturing and chemical industries associated with oil is characteristic of the expansion of American imperialism in the economies of oil-producing countries. There was wide publicity, for example, for the scale of the operations of American companies in Saudi Arabia, where, in the mid-70s, the Fluor Company began work on a gas-collection network valued at \$5 billion. At the same time a contract was signed for the building of seven plants to produce ethylene. Dow Chemical began to build a big plant to produce ethylene glycol, and such major corporations as Mobil Oil and Gulf Oil, and certain others received contracts to extend existing capacities and facilities of the petrochemical industry infrastructure and build new ones; in particular Mobil took on the building of the Abqaiq Yanbu oil pipeline (1,270 km) and a liquified gas plant in Abqaiq, and Exxon is building an oil-refinery complex in the Eastern province. The American writer Nakhleh defined the aims of U.S. foreign policy in relation to Saudi Arabia as follows:

1. An uninterrupted flow of Saudi oil to the United States.
2. Return of a significant portion of Saudi petrodollars to the United States in the form of pay for services rendered, arms, general trade, investment in U.S. Treasury bonds, and other forms of investment.
3. Continued Saudi support of the United States role in the search for a peaceful resolution of the Palestine conflict.
4. Continuation of the Saudi 'moderating' influence among the states of the Gulf region.
5. Continued Saudi support of the United States position that the Gulf should remain free from Soviet, Chinese, or other Communist influence.<sup>75</sup>

This foreign policy line has been thoroughly followed by the United States, which proclaimed the region a sphere of its 'vital interests'. It is not surprising that Washington has concentrated its most intensive diplomatic and military intrigues there, endeavouring to use every means available, above all Israeli expansionism and the criminal anti-Arab Camp David deal, in order to achieve its own expansionist aims.

### 3.4. The increase in American capital's exploitation of developing countries

American corporations operating in developing countries are making enormous profits, as before, while the developing countries are bearing losses as a result of their unequal relations with developed capitalist

<sup>75</sup> Emile A. Nakhleh. *The United States and Saudi Arabia. A Policy Analysis* (American Enterprise Institute for Public Policy Research, Washington, D.C., 1975), p 65.

<sup>74</sup> See *Survey of Current Business*, 1976, 56, 8.



countries. Losses through the transfer of foreign monopolies' profits, manipulations with purchasing prices and sales in the Western monopolies' intra-firm trade, the price scissors, disproportionate licence payments and freight charges, the 'brain drain', the depreciation of foreign currency proceeds as a result of galloping inflation in the West, etc., etc., are variously estimated at more than \$100 billion a year.

In spite of the certain changes in the conditions of the foreign capital's functioning, noted above, and intensification of the struggle to establish a new international economic order (see § 3.5 of this chapter), the monetary and financial position of the developing countries is deteriorating. Their foreign indebtedness, and the payments connected with it, are rising (see Table 7.26).

Table 7.26

**The Scale and Structure of Developing Countries' Foreign Indebtedness,\* 1979-1982**  
(\$ billion)

	1979	1980	1981	1982
Total indebtedness*	280.0	326.6	388.9	449.1**
Paying off of loan indebtedness	52.5	67.1	84.4	98.9
Medium- and long-term loans	50.5	65.1	81.4	94.4
Interest on short-term and IMF loans	2.0	2.0	3.0	4.5
Transferred profits	6.5	7.5	8.0	8.5
Paying off of debts and transfer of profits	59.0	74.6	92.4	107.4
Ratio				
of medium- and long-term loans to exports (%)	113.2	107.1	118.9	119.0
of interest on same to exports (%)	7.1	8.6	10.9	10.6
of the repayment of debts and transfer of profits to exports (%)	23.9	24.5	28.3	28.5

\* Excluding the main oil exporters.

\*\* According to other estimates, this total already exceeds \$500 billion.

Source: *Trade and Development Report, 1981*. TD/B/863/Rev. I (UNCTAD, New York, 1981), p. 33.

There has thus been an intensification of the exploitation of developing countries by foreign capital in which American monopolies have played an important role, and are striving to strengthen their leading position, especially as regards the most profitable, direct investments.

The export of U.S. capital in the form of direct investments in developing countries has substantial importance for the American balance of payments, since the profits of American incorporated overseas enterprises, transferred to the USA, are greater than the annual exports of capital for direct investment abroad. Between 1966 and 1980 more than \$12 billion were received by developing countries from the USA for placing as direct investments.<sup>76</sup> At the same time the profits transferred to the USA by American companies' affiliates in them exceeded \$65 billion (as the figures in Table 7.27 indicate).

Table 7.27

**Profits of Overseas Affiliates of American Companies Transferred to the USA, 1966-1980**  
(\$ million)

	1966	1970	1971	1974	1975	1980	1966-1980
I. All areas	3,467	4,992	5,983	11,379	8,547	19,844	139,024
petroleum	1,339	1,881	2,457	5,244	2,738	8,469	55,576
manufacturing	950	1,605	1,696	2,748	2,547	4,899	38,978
others	1,177	1,507	1,830	3,387	3,262	6,476	44,469
II. Developing countries	1,946	2,340	2,712	6,086	3,599	7,325	65,371
petroleum	1,229	1,496	1,895	4,230	1,829	3,457	38,640
manufacturing	132	248	258	421	453	832	6,416
others	584	596	559	1,436	1,317	3,036	20,313
(a) Latin America	1,017	967	1,061	2,036	1,580	3,503	27,208
petroleum	437	316	422	667	254	675	6,705
manufacturing	108	205	208	343	359	652	5,155
others	472	447	431	1,026	967	2,176	15,352
(b) Asia & Africa	929	1,372	1,651	4,050	2,020	3,822	38,163
petroleum	793	1,180	1,473	3,563	1,575	2,782	31,938
manufacturing	24	43	50	77	95	181	1,264
others	113	149	128	410	350	859	4,962
III. Developing countries as a percentage of I	55.2	46.9	45.3	53.5	42.1	36.9	47.0

Sources: *Survey of Current Business*, 1980, 60, 8 : 25; *Idem*, 1981, 61, 8 : 36, 38.

Developing countries accounted for between 37 and 55 per cent of all the profits from direct investments in the non-socialist world transferred to the USA in the various years of the period under review; on the average their share was 47 per cent. One must also add that the total profits reinvested by American companies in the developing countries was more than \$29 billion between 1966 and 1981, or 29 per cent of the total reinvestment in the non-socialist world. U.S. direct

<sup>76</sup> See *Survey of Current Business*, 1980, 60, 8 : 24; *Idem*, 1981, 61, 8 : 34.



investments in developing countries were thus 31 per cent in 1966 and 25 per cent in 1981 of the total of U.S. direct foreign investments and yielded American corporations around half of their repatriated profits. What a special interest the USA has in securing her 'vital interests' in developing countries is clear from this example showing the role of American imperialism as their chief exploiter.

It is clear from the statistics that the share of developing countries and territories in the total profits of American overseas affiliates, transferred to the USA in the 70s, especially in the late 70s, declined a little, but the scale of the profits extracted rose steeply. Between 1973 and 1981 more than \$60 billion were transferred to the USA, or more than 60 per cent of the profits repatriated by American companies in 1966-81.

The geographical distribution of these profits indicates that \$27.2 billion were sucked out of Latin America in 1966-80 (42 per cent of the profits in developing countries), and \$38.2 billion from Asian and African countries (58 per cent). The bulk of the profits from Latin America (56 per cent) came from operations in banking, insurance, commerce, and sectors classed as 'others' in the statistics, while the share of the profits of U.S. oil companies' affiliates was 25 per cent of the profits repatriated to the USA, and that of manufacturing enterprises 19 per cent. In Asian and African countries 84 per cent of the profits from direct investments repatriated to the USA came from U.S. companies' oil-producing and oil-refining affiliates, which reflects the scope of exploitation of the oil-producing developing countries, whose natural resources were at the service of U.S. oil monopolies' interests. That also explains why investments in the oil industry in developing countries brought American companies their greatest revenue (59 per cent of the profits of affiliates in developing countries repatriated to the USA in 1966-80).

Data on the return on U.S. direct investments in selected developing countries are given in Table 7.28.

The large profits of U.S. investments are due to a whole number of causes, including the high level of exploitation in American companies' overseas plants and the employment of cheap labour in developing countries. The Aramco consortium, for instance, filled more than 80 per cent of all its jobs with Arab personnel. In 1969 their monthly pay was some 43 per cent of the average in the U.S. oil industry, and nearly 48 per cent in 1971.<sup>77</sup>

The movement of the rate of profit on U.S. private direct investments in developing countries over the period from 1966 to 1980 is shown in Table 7.29.<sup>78</sup> The tendency to grow over the whole period deserves

<sup>77</sup> See Aramco. *Facts and Figures, 1973*, p 41; *Annual Statistical Review. Petroleum Industry Statistics, 1965-1974* (American Petroleum Institute, Washington, D.C., 1975), p 50.

<sup>78</sup> The rate of profit is calculated as the ratio of the gross profits for the year (total of reinvestments, dividends transferred to the USA, interest on loans, and profits of non-incorporated affiliates) to the annual total of direct investments (book value).

Table 7.28

Profits from U.S. Direct Investments in Selected Developing Countries and Territories, 1977-1981 (\$ million)

Country	1977	1978	1979	1980	1981
Indonesia	596	698	1,470	2,080	2,157
Mexico	243	601	843	1,467	1,302
Bermuda	704	977	1,627	1,551	1,198
Bahamas	692	771	1,425	1,003	1,030
Hong Kong	384	...	536	564	618
Panama	435	254	445	488	577
Brazil	589	921	247	499	519
Singapore	97	...	237	332	472
Peru	34	147	508	...	404
Venezuela	329	285	142	108	289
Malaysia	45	...	265	314	265
Nigeria	206	82	227	199	213
Trinidad & Tobago	109	...	123	250	209
Philippines	91	107	135	168	191
Argentina	257	155	520	695	113
Middle Eastern oil-producing countries	1,995	1,805	2,358	-213	1,230
Total as a percentage of the total of profits from developing countries	88.6	75.9	82.3	77.4	87.8

Sources: *Survey of Current Business*, 1980, 60, 8: 34; *Idem*, 1981, 61, 8: 37, 38; *Idem*, 1982, 62, 8: 27; U.S. *Direct Investment Abroad*, 1977, p 81.

attention. From 17 per cent in 1966 the rate of profit rose to 22 per cent in 1980; in separate years it was as high as 30 or 40 per cent. These steep fluctuations were primarily connected with the rise of world prices for the primary commodities and fuel produced in developing countries, but there was a certain increase at the same time in the rate of profit in manufacturing and other spheres of the investment of American capital. The oil industry yielded corporations the highest rate of profit, enabling them largely to recoup their investment in it. The figures show that the higher prices for the oil produced in developing countries proved profitable to U.S. oil companies, steeply increasing the profits they made.

The fall in the return per barrel of oil produced from American companies' operations as a result of nationalisation and the hardening of the financial terms of agreements, etc., mentioned above, was compensated with interest by the rise of oil prices. The U.S. companies, while losing their position at the production stage, retained control over the other links of the 'petroleum chain' and increased their profits by inflating prices for the end products and transportation operations.



One of the most predatory American monopoly groups, brutally exploiting the countries where its operations are developed on a broad scale, is the Rockefeller group, operating mainly through Exxon. If one listens, however, to the advocates of the U.S. expansionist course in capital investment, one might imagine that there was no greater benefactor of the developing countries than this monopoly. The 'salutary mission' of monopolistic companies like Exxon is praised by the eulogists of the expansionist course in capital exports, in particular, by references to the taxes paid in the countries to which American capital is exported. One constantly encounters such claims. *The Magazine of Wall Street*, for example, was already pointing out, at the end of the 50s, that Standard Oil of New Jersey (the old name of Exxon), which had many affiliates abroad producing oil, had paid a total of \$2.2 billion in taxes in 1955, of which \$1.6 billion 'were disbursed to foreign governments'.<sup>79</sup> In 1966-72 its payments to the government of Saudi Arabia alone were more than \$3.5 billion.<sup>80</sup> At the same time the apologists for the oil business heavily underline the oil companies' positive contribution to the economies of the oil-producing developing countries, and the role of the revenues received from them as the financial foundation for development.

Table 7.29

Rate of Profit on U.S. Direct Investments  
in Developing Countries, 1966-1980  
(per cent)

Year	All industries	Oil industry	Manufacturing	Others
1966	17.1	25.7	9.4	14.1
1970	15.3	23.6	10.4	11.4
1975	25.4	121.9	13.0	16.9
1976	24.0	110.4	11.0	18.5
1977	23.0	99.3	11.1	16.5
1978	22.2	73.8	14.2	17.1
1979	29.5	103.9	13.5	20.4
1980	22.2	...	15.3	...

Source: calculated from *Survey of Current Business*, 1980, 60, 8: 24-25; *Idem*, 1981, 61, 8: 31, 32, 37, 38.

The data cited above on the ratio of American investments and profits on them in developing countries, however, completely refute the inventions of American propaganda.

<sup>79</sup> *The Magazine of Wall Street*, 1958, 101, 8: 445.

<sup>80</sup> IMF. The Economy and Finance of Saudi Arabia. *IMF Staff Papers*, 1974, 21, 2: 262-263.

### 3.5. U.S. monopolies and the new international economic order

The turn to an improvement of the international situation in the 70s created a favourable environment for normalising and restructuring economic relations on a basis of equality and mutual benefit. On the initiative of developing countries the Sixth Special Session of the U.N. General Assembly was convened in 1974, which adopted a Declaration on the Establishment of a New International Economic Order and an Action Programme. This restructuring on a democratic basis and principles of equality was historically justified as a necessary continuation of the process of decolonisation, as the 26th Congress of the CPSU pointed out.

At the Sixth Special Session on 11 April 1974 the Soviet delegate stressed that the question of the basic causes of economic backwardness and low living standards in developing countries could not be avoided by understatement and half-truths:

The crux of the matter is that many developing countries remain to this very day the object of exploitation by monopolistic capital.<sup>81</sup>

Owing to the international division of labour, saddled onto economically backward countries, the former colonies are still in the position of an economic periphery; foreign monopolies, furthermore, still retain control over the most important sectors of these countries' economies.

Three sets of aims can be distinguished in the developing countries' demands as follows:

(1) implementation of principles like states' full, constant sovereignty over their natural resources, sovereign equality, freedom of choice of economic and social system, and the impermissibility of discrimination on that basis;

(2) the securing of a fair role of developing countries in the international decision-making process (for that, it is proposed to raise their role in organisations like the IMF, the IBRD, etc., by wiping out the rigid link between their quotas and number of votes; to establish several new organisations on such principles; and to raise these countries' role in United Nations agencies, in which they already have political equality);

(3) demands in specific spheres of economic relations on the world capitalist market, including the problem of stabilising developing countries' revenues from the export of primary commodities, a set of proposals on monetary and financial problems, normalisation of trade in finished goods, and regulation of the activity of transnational corporations.

As a result, a new sphere, viz., policy as regards the restructuring of international economic relations, has developed in the foreign policy of the biggest neocolonial power, the USA.

The United States, like the other Western powers, greeted the programme of the new international economic order with barely con-

<sup>81</sup> Speech by A. A. Gromyko. U.N. General Assembly, Sixth Special Session. *Official Records*. 2210th Plenary Meeting, 11 April 1974, p 7.



cealed irritation. Threats began to be made in connection with the developing countries' 'ill-considered' and 'aggressive' demands, which it was proposed to ignore as 'illusory' and 'utopian'. The delegations of the USA and certain other imperialist countries even opposed mention of the new international economic order, let alone the possibility of a positive appreciation of it. The law on trade enacted by the USA in 1974 evoked a storm of protest in various developing countries, because it deprived some of them of privileges and concessions, namely those that had put separate provisions of the new international economic order into practice, especially the most radical ones (expropriation of foreign monopolies' property; the establishing of organisations opposing the imperialist *diktat* on markets). The political and economic sense of this position was obvious.

Opponents of substantial changes in the world economy, of concessions to the developing countries, and in general of negotiating to that end, have an important place among imperialist strategists. It is not surprising that journalists sometimes call them 'absolutists' (one who defends the unshakable positions of capital is Daniel Moynihan). The 'absolutists' call the Western countries 'hostages' of developing countries rich in resources, which are alleged to threaten the future of Western civilisation. The logic of the argument is extremely simple: the developing countries are responsible for their own underdevelopment, and for export of their problems to developed countries. The world would be better off, they claim, if the industrial nations could somehow hold themselves aloof from these problems.

Various ideas of political blackmail, military intervention, and securing of imperialist monopolies' 'vital interests' are being built up from such views.

At the same time some business and political circles in the USA are beginning to be better aware of the whole seriousness of the developing countries' demands, and of the fact that these countries rely on real political and economic strength when putting forward these demands. As a result an instinct of self-preservation has come into play, and speeches in favour of a commercial and political dialogue with developing countries have acquired a certain authority. Correspondingly a slogan of more open diplomacy has arisen, and a call to see the great opportunities that could be offered to the bourgeoisie by the new international economic order under the appropriate conditions through negotiations.

The advocates of such an orientation, the so-called pragmatists, are sometimes called 'accommodationists' in both developed capitalist and developing countries. Their official aim and credo is to 'accommodate' the changes taking place in the system of international relations to each other through negotiations.

Even the most rabid apologists of the 'pragmatic' course, incidentally, have to admit the artificial, illusory character of this accommodation, in which the West would simply make a verbal gesture so as to keep up the dialogue, while interdependence is pictured as valuable only for politics and manipulation, but without any real basis in theory and

practice. This political conclusion is confirmed by the studies of Western economists, who recognise that the alleged equal interdependence of developed and developing countries is a myth and that the West is not at all interested, from the economic standpoint, in making major sacrifices and big concessions in favour of developing countries.

For some time theories have spread and developed in the USA that are based in one way or another on a conception of establishing some sort of 'just world order'. To the developing countries' demands for a new international economic order a slogan of an imaginary universal solidarity is counterposed, a solidarity to which they should (it is claimed) subordinate their interests. Such, for example, is the theory of 'new planetary humanism' that Prof. James O'Leary, of the Catholic University of America, calls a 'radical version of the future order'. The class essence of this theory is shown even by its assigning a special role to transnational corporations in the achieving of 'planetary humanism'. It is correspondingly necessary, Prof. O'Leary tries to suggest, to avoid putting obstacles in the way of TNCs' operations and to encourage them in every way, all the more so because the processes of economic integration in the West are taking that direction. 'Planetary humanism' is thus put forward as a cover of preaching the dominance of international monopoly capital, so as to reduce the tension of the anti-imperialist struggle, and depict international monopolies as the driving force of mankind's progress. There are quite a few versions of this theme in the arsenal of American theorists who justify the expansionism of capital.

Leading U.S. circles do not hide that while defending U.S. monopoly capital's interests American foreign policy is primarily aimed at the defence of American investments abroad at the present time. That in large measure increases the danger of a further subordination to the United States of both the economies and the policies of countries that open the doors wide to American capital. On the eve of the 60s the magazine *Fortune* wrote: 'U.S. private investment has become not a potential but a kinetic force in world affairs.'<sup>82</sup> The admission is a bit crude, but frank; it has something in common with many of the statements of the present President, Ronald Reagan, on the problems of developing countries, in particular that at the top level meeting in Cancun, where he tried to demonstrate evidence of the important role of private American investment for overcoming the economic backwardness of developing countries.

One must give the Reagan Administration its due: it stops at nothing and often prefers not to camouflage the expansionist aims of its policy. Its spokesmen take note that when U.S. chances of rendering to developing countries economic assistance through government channels are being more and more restricted, private American capital is the main means, as a matter of fact, by which the United States could allegedly promote satisfaction of developing countries' mounting needs to mobilise outside resources for development purposes. In that connection

<sup>82</sup> *Fortune*, 1958, 57, 1: 197.



persistent calls are heard from Washington for developing countries to open their doors wider to American capital. Their main concern is to secure U.S. economic and political interests in those countries. Americans insist, in particular, on creating conditions in the recipient countries that would encourage a maximum flow of private investment to them from the USA. These conditions include, in particular, political stabilisation, rejection of nationalisation of foreign property, an undertaking to orientate the national economy on the 'free market' and to establish a favourable tax regime for foreign capital, etc. American diplomacy operates with demands of that kind in the United Nations, as well, insisting on more and more concessions by developing countries.

It is thus obvious that this U.S. foreign economic policy is not only aimed at creating a more favourable investment climate for American transnationals, but also at pursuing the far-reaching goal of implanting or strengthening capitalist orders in developing countries favourable for Washington.<sup>83</sup> Economic levers are also actively employed to win support for the anti-Soviet foreign policy being implemented by the USA.

The line, adopted by Washington in the 80s, for reducing the amount of economic 'aid' granted to developing countries through two-way channels and the number of recipients of this 'aid' to those only that present significant political or military-strategic interest to the USA leaves it open how far that reduction can be compensated by private American investments. The point is particularly urgent for the least advanced of the developing countries,<sup>84</sup> the ones that have the most acute need to attract resources from outside, on the one hand, and which are regarded by American TNCs as unpromising spheres of investment, on the other.

An insignificant amount of direct American foreign investment (less than 1 per cent) goes to the poorest countries,<sup>85</sup> and this amount was steadily declining in the past decade and is expected to decline still further in the future. The main reason for that is the American TNCs' diminished interest in investment in most of the least developed countries. This is due to the absence in them of the necessary skilled labour, of an adequate infrastructure, and of reserves of energy and minerals, which affects the rate and mass of profit. American TNCs are much more attracted, in that sense, by the more economically advanced developing countries.

Economic estimates prove the insubstantiality of the Reagan Administration's claims that American private investments promote an inflow of resources to developing countries from the United States. In fact, the opposite is taking place, an outflow of resources from developing countries to the USA. Between 1976 and 1980, for instance, the

growth of total U.S. direct private investments in Asia, Africa, and Latin America was \$26.4 billion. When one deducts from that the total of reinvested profits (\$14.8 billion), the total of the private capital actually exported to developing countries from the USA in that quinquennium was \$11.6 billion. With due allowance for the fact that American TNCs transferred \$31.8 billion from developing countries to the USA in the form of repatriated profits, we get a net movement of capital of \$20.2 billion in favour of the USA.<sup>86</sup> Hence it is no accident that the profits from direct foreign investments in developing countries are an important item on the income side of the U.S. balance of payments.

The stress put in the American President's speeches on the role of U.S. private investments in 'resolving' developing countries' problems in fact contradicts the main maxims of his Administration's domestic economic policy, and that too merits attention. This policy is aimed first and foremost at encouraging American monopolies, by means of a whole number of stimuli, to invest more capital in the economy of the USA itself (and not abroad) in order to 'reindustrialise' America.

The facts adduced above on the export of American capital to developing countries and its consequences for their economies fully confirm our conclusion that this form of U.S. expansion entails serious consequences for nations and their independent development. Their difficulties are growing rather than smoothing away as the total of exported capital mounts. Capital's infiltration into more and more industries, agriculture, commerce, etc., leads to increasing subordination of developing countries' economies to the interests of the biggest U.S. monopoly groups, with all the economic and political consequences stemming from that.

The facts and figures on the export of American capital to developing countries disclose the whole falsity of the claims of U.S. official and business circles that in recent years American capital exports, direct investments especially, have been free of the negative features inherent in them in the past (the existence of which they are prepared to admit to some extent, but only in relation to the past). The truth is that now, as before, the expansion of the American capital either as direct investment or in other forms (portfolio investment, loan capital, etc.) only increases these dark sides, making the oppression that developing countries experience from it ever heavier.

#### **§4. The promotion of capital expansion by means of international monetary and financial institutions**

In the preceding chapters we have spoken in detail about how the International Monetary Fund and the International Bank for Reconstruction and Development, founded on the U.S. initiative, have been employed from the outset as an instrument of political and economic

<sup>83</sup> Werner J. Feld. *Multinational Corporations and U.N. Politics. The Quest for Codes of Conduct* (Pergamon Press, New York, 1980), pp 2-6.

<sup>84</sup> According to the classification adopted by the U.N., the 'poorest' include 31 countries with a per capita income under \$100 a year.

<sup>85</sup> Calculated from *Survey of Current Business*, 1981, 61, 8.

<sup>86</sup> Calculated from *Survey of Current Business*, 1980, 60, 8; *Idem*, 1981, 61, 8.



pressure on less developed countries. These bodies have become, to a considerable extent, the political foundation of imperialism's present monetary and financial system controlled by the USA.

Today the IMF extends credits, usually for three to five years, mainly to industrially developed capitalist countries to cover deficits in their balance of payments (their terms can only exceptionally be prolonged). The rate of interest on credits varies between 4.4 and 6.9 per cent, depending on the terms (including a commission of 0.5 per cent). The rate of interest on IBRD loans is fixed at the market rate (8 to 10 per cent, or higher). The IBRD, to which only members of the IMF can belong, mainly grants loans to developing countries with a per capita national income less than \$1,000. The industrially developed countries are rarely granted loans and only in limited amounts. Borrowing ability and voting rights are determined by the quotas subscribed by a country to the Fund and Bank. This principle ensures their domination by the biggest Western powers, as we have pointed out above.

It is typical that, since the USA's voting strength has declined from 20.75 per cent to 19.96 per cent when the capital of the IMF was increased, and the quotas altered, she insisted on an amendment to the Fund's Articles of Agreement (April 1978) that decisions must be taken by a qualified majority of 85 per cent (and not 80 per cent as before), so as to secure her the right to veto under the present conditions.

We would also recall that under the IMF's Articles its headquarters must be located in the country with the biggest quota, viz., the USA.

Since 1947, when the Fund began operations, through June 1981, it distributed to its members credits totalling 57.7 billion by means of Special Drawing Rights (around \$70 billion), of which developed capitalist countries (which constitute less than a third of all the members) got 29.3 billion in SDRs, or just over 50 per cent.<sup>87</sup> The biggest sums were received by Great Britain (\$12.5 billion), the USA (\$5.8 billion), Italy (\$3.1 billion), and France (\$2.5 billion). The borrowings obtained by them came to more than 40 per cent of the Fund's total advances.

In 1980 the Fund's credit rights were expanded to 200 per cent of members' quotas, which increased countries' borrowing abilities. The same end was also promoted by the creation of several IMF supplementary financial funds, like the deficit financing funds, which make advances to countries on more favourable terms to an amount between 50 and 140 per cent of their quota. But these advantages have only a temporary character (in the first stages of a country's membership of the IMF), since the Fund's credit policy is stiffened, reinforced by conditions of an economic and political character, as the amount of loans rises above the established concessionary norm.

In recent years the Western powers, especially the USA, have been endeavouring to give the IMF broad controlling functions over members' economic and monetary and financial policy. The demands

it makes when extending credits are becoming more and more complex and multipurpose, affecting countries' budget, currency and credit, monetary, foreign trade, and general economic policy. These demands usually include a restricting of domestic credits, an increase in taxes, freezing of wages, and devaluation of the national currency, which leads to a lowering of the economy's growth rates, a raising of prices, an increase in unemployment, and a lowering of the workers' standard of living.

In November 1981 a very big loan, of \$5.68 billion, was made to India. It is indicative that the final decision was postponed for almost a year through open pressure by the Reagan Administration. The leaders of the Fund linked the postponement with hopes of getting a consolidation of the position of international banks and TNCs within India, and aimed it at putting pressure in that way on the policy of this major Asian country and weakening her ties with socialist countries, especially with the Soviet Union.

As already remarked, the IBRD's loans have been mainly made to developing countries since 1957. At present not one developed capitalist country has liabilities to the Bank greater than its contribution to the Bank capital. All the industrially developed capitalist countries belonging to it function in it as net creditors or, as they put it, 'donors', and not one of them in practice has received loans from the Bank for a number of years.

During the whole time of the Bank's operations up to 30 June 1982 it had advanced a total of \$60.1 billion, the biggest loans being to Brazil (\$5.7 billion), Mexico (\$4.7 billion), Indonesia (\$4.3 billion), and South Korea (\$3.3 billion) (see Table 7.30).

The changes that have occurred during the years of the existence of the Fund and Bank in their membership, size of capital, and distribution of quotas among members, have not led to any significant alteration in the balance of power in them, any democratisation of their organisational principles, or allowance for the interests of the majority of members, or the granting of more or less equal rights to them. The activity of both, which has an expansionist and openly discriminatory character in relation to developing countries as regards trade and finance and so impedes their economic and social advance, is being sharply criticised by the latter.

The 36th Session of the Board of Governors of the IMF and World Bank, held in Washington from 29 September to 2 October 1981, was indicative in this respect. The following representatives of members took part: ministers of finance, managing directors of central banks, and staff members of the secretariats of the international organisations. At that session the Republic of Vanuatu and the Kingdom of Bhutan became members of both, bringing the membership of the IMF to 143 and that of the bank to 141.

The session was preceded (according to established practice) by meetings of representatives from various groups of countries so as to co-ordinate their stands on the main items of the agenda, viz., the group of 24 developing countries, and the group of industrially devel-

<sup>87</sup> Special Drawing Rights (SDR) are an artificially created international means of payment without a value of their own, operating as a unit of account in the transactions of the IMF and IBRD. In December 1981 the rate was 1SDR = \$1.17.



Table 7.30

Loans Extended by the World Bank at 30 June 1982  
(\$ million)

Country	Total	Country	Total	Country	Total
Algeria	777.5	Greece	371.0	Pakistan	501.9
Argentina	1,455.2	Guatemala	217.3	Panama	325.6
Australia	82.8	Guinea	67.1	Papua-New Guinea	41.6
Austria	4.7	Guyana	70.4	Paraguay	349.8
Bahamas	20.4	Honduras	389.8	Peru	998.1
Bahamas, Grenada, etc.*	40.1	Iceland	32.7	Philippines	2,990.1
Bangladesh	54.5	India	2,845.0	Portugal	688.8
Barbados	35.1	Indonesia	4,347.0	Romania	1,948.1
Bolivia	248.9	Iran	499.2	Senegal	141.4
Botswana	123.1	Iraq	76.2	Sierra Leone	12.4
Brazil	5,651.7	Ireland	99.5	Singapore	108.3
Cameroon	454.2	Israel	98.7	Spain	202.2
Chile	285.6	Ivory Coast	931.8	Sri Lanka	72.1
China, People's Republic of	100.0	Jamaica	401.9	Sudan	58.0
Colombia	2,860.7	Japan	202.1	Swaziland	49.8
Congo, People's Republic of	38.6	Jordan	177.5	Syria	430.8
Costa Rica	306.2	Kenya	851.1	Tanzania	294.8
Cyprus	123.2	Kenya, Tanzania, Uganda	157.3	Thailand	2,488.9
Denmark	2.4	Korea, South	3,300.1	Togo	2.8
Dominican Republic	254.5	Lebanon	75.8	Trinidad & Tobago	71.1
Ecuador	540.2	Liberia	133.0	Tunisia	916.9
Egypt	1,442.7	Madagascar	31.1	Turkey	3,260.8
El Salvador	154.2	Malawi	70.9	Uganda	1.6
Ethiopia	62.6	Malaysia	1,220.1	United Kingdom	5.6
Fiji	76.0	Mauritania	58.7	Uruguay	264.4
Finland	23.3	Mauritius	99.7	Venezuela	114.5
Gabon	17.8	Mexico	4,703.9	Yugoslavia	2,586.5
Ghana	142.6	Morocco	1,629.4	Zaire	72.8
Ghana, Ivory Coast, and Togo	36.5	New Zealand	10.7	Zambia	429.7
		Nicaragua	170.3	Zimbabwe	88.1
		Nigeria	1,758.3		
		Norway	20.4		
		Oman	53.2		
				Total	60,104.0

\* Loans granted to the Caribbean Development Bank for several of its members: Bahamas, Barbados, Grenada, Jamaica, Guyana, and Trinidad & Tobago.  
Source: International Bank for Reconstruction and Development. *Annual Report, 1982* (World Bank, Washington, D.C., 1982), pp 150-151.

oped capitalist countries; from their results it was already clear before the official opening of the session that it would again become the arena of a confrontation between the industrially developed capitalist countries, above all the United States, and the developing countries on the main issues of financial and economic relations.

The session discussed the annual reports of the IMF and IBRD, which painted a very gloomy picture of the state of the capitalist world economy during several years. The reports spoke of the constant slowing of real economic growth rates in the developed capitalist countries, stressing that the increment of the GNP for the industrially developed ones averaged only 1.3 per cent in 1980. In the USA and Great Britain there was a decline in the GNP, while there was a significant slowing of economic growth rates in Canada, France and West Germany. The aggregate deficit of the industrially developed capitalist countries' balances of payments on current account was \$44.1 billion in 1980. The high level of unemployment in these countries affected an ever bigger number of working people. The highest growth of unemployment was recorded in the USA, FRG, France, and Britain.

It has already become customary for the problem of inflation to occupy a main place in the discussions at sessions of the IMF and IBRD. According to the latter the rate of inflationary rise of prices averaged 8.6 per cent in 1980.

IMF and IBRD experts openly admitted that the serious crisis upheavals in the economies of the capitalist world had had a marked adverse influence on the economies of developing countries. The unfavourable world economic situation was a reason for the growth of the aggregate payments deficit on current accounts of the developing countries importing oil. According to the IMF's experts, their deficit rose from \$37 billion in 1978 to \$83 billion in 1981. (Six oil-exporting states—Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates—had a favourable balance of payments on current account of \$100 billion.) The average economic growth rate of the developing countries in 1980 was lower than in the period 1974-9, and came to 4.6 per cent. The World Bank's report also noted that around 750 million persons in the world were living in conditions of absolute poverty.

The developing countries raised a number of specific demands at the session on the IMF and IBRD which were vigorously opposed by the Western countries, especially the USA.

President Reagan's speech at the session openly demonstrated the unwillingness of his Administration to make allowance for the interests of the new independent states. The US delegates vigorously supported by Alden Clausen, the President of the World Bank, persistently advised the developing countries to improve their economies by encouraging private, especially foreign enterprise, in every way at the expense of the public sector, on which the Bank's granting of loans depended.

On the eve of the IMF and IBRD session the report of a special group of the U.S. Congress, set up to study the activity of the West's financial institutions, was published. Its conclusions, officially supported by the then Secretary of State Haig, and the Secretary of the Treasury Donald



Regan, contained recommendations, in particular, to use U.S. political and financial influence to establish firmer control over development banks, calls for a steep cuts in the programme of granting favourable long-term loans to the poorest countries, and an end to the financing of countries with an average per capita income through international organisations. Although most of this report's conclusions were not officially submitted to the session, there was evidence of a certain stiffening of the USA's attitude to the West's main financial organisations in the fact that she announced a cut in her contribution to the International Development Association, an affiliate of the IBRD.

The President of the IBRD, when summing up the session, expressed his opinion on the extending of funds for the development of developing countries, stressing the need, moreover, to broaden the role of the private sector. At the same time he emphasised that potential borrowers would have to change their economic policy, reduce government expenditure, encourage development of the private sector, stimulate farm production, and promote exports.

The spokesman for the group of 24 developing countries, for his part, declared, when evaluating the session, that certain developing countries might even withdraw from the World Bank if it continued to make calls for a further reduction in the funds lent to them.

Many of the developing countries are becoming more and more aware that U.S. ruling circles treat the IMF and IBRD as instruments of their policy and a means for helping U.S. TNCs, by which they hope to overcome economic difficulties in a way suitable to U.S. monopolies.

The session results once more convincingly demonstrated that both of the leading financial organisations of the capitalist world, which the West, and especially the USA, dominates, are in the throes of an acute crisis from the standpoint of their structure and their capacity to perform their basic tasks. It cannot be ruled out that their leaders, experiencing ever mounting pressure from the developing countries, will be forced either to alter the present framework and forms of the operations of the IMF and IBRD, or to pay more attention to the demands of developing countries in their transactions.

Foreign information agencies, when commenting on the IMF-IBRD session, pointed out the stubborn reluctance of the industrially developed capitalist countries to concern themselves with developing countries' demands. The essence of the capitalist powers' position on the question of increasing 'aid' to developing countries is expressed, in a concentrated form, by the U.S. ultimatum stand that no aid will bring progress until these countries set their economic and financial affairs in order.

That is evidence once more of the reluctance of U.S. ruling circles and American Big Business to pay attention to the needs of developing countries and to make substantial changes in the monetary and financial system of capitalism allowing for their interests. At the same time the developing countries' mounting dissatisfaction with the operations of the IMF and IBRD is becoming very obvious, especially with the attempts by the USA and the West as a whole to convert them into instruments of collective neocolonialism.

## CAPITAL EXPORTS AND THE CRISIS OF IMPERIALIST POLICY

### §1. The expansion of capital and the principles of bourgeois diplomacy

Examination of the history of American capital's international expansion shows that it was its interests and real positions that largely determined the character, direction, and means of U.S. foreign policy. At each historical stage of theory and practice, numerous facts and political declarations again and again confirm Lenin's conclusion that the economic interests and economic position of their ruling classes lie at the root of countries' home and foreign policy.<sup>1</sup>

Time has also shown the profound truth of the Marxist-Leninist theory of the historical inevitability of the collapse of capitalism and of the system of international relations created by it on a basis of oppression and exploitation. The whole face of the modern world is determined by the contradiction of 'two methods, two political and economic systems—the communist and the capitalist'.<sup>2</sup> There is an acute, unceasing struggle of the two systems in the form of the competition of socialism and capitalism in all spheres (politics, the economy, international relations, and ideology). This struggle also embraces the area of foreign policy and diplomacy. The concept *foreign policy*, of course, covers a country's general line in international affairs; *diplomacy* has a special place among its means; so do propaganda and economic ties.

American monopoly capital, having grabbed the most important sources of primary products, markets, and spheres of investment, has become the biggest world exploiter. In order to keep the 'dollar empire' under their domination the aggressive circles of American imperialism are placing their bets on military strength, increasing militarism, and the arms race. Draping themselves in a false flag of 'democracy', they lay claim to the role of world gendarme, support reactionary and dictatorial regimes, and oppose democratic, progressive reforms in the world, striving to halt and turn back the forward development of the world.

In order to defend the 'dollar empire' Washington creates military blocs and builds numerous military bases at the most important strategic points in the world. U.S. monopoly bourgeoisie have become

<sup>1</sup> See V. I. Lenin. Report on Foreign Policy Delivered at a Joint Meeting of the All-Russia Central Executive Committee and the Moscow Soviet, May 14, 1918. *Collected Works*, Vol. 27 (Progress Publishers, Moscow, 1977), p. 365.

<sup>2</sup> V. I. Lenin. Speech Delivered at a Meeting of Activists of the Moscow Organisation of the R.C.P.(B.), December 6, 1920. *Collected Works*, Vol. 31 (Progress Publishers, Moscow, 1977), p. 456.



the main bulwark of the international reaction and the main source of the danger of world war.

New processes have been developing in recent decades in the area of monopoly capital's effect on U.S. foreign policy. Certain of the most powerful groups of finance capital are laying claim to nearly permanent representation in their country's foreign affairs agencies. The Reagan Administration has filled all posts in the government in any way important with persons closely and directly associated with monopolies, many of which are engaged in overseas operations.

Bourgeois diplomacy faithfully serves the capitalist system, and the monopoly bourgeoisie, which treats it as an important instrument for maintaining and consolidating its international positions, broadening the spheres of investment in order to exploit the peoples of various countries, for subordinating whole continents to its military, aggressive, hegemonistic aims, and hardening the struggle against world socialism and the revolutionary and national liberation movements.

Lenin noted in his theory of imperialism processes of the internationalisation of capital, and merging of the monopolies with the state machinery of capitalist countries. Present-day capitalism is essentially state monopoly capitalism; the power of the bourgeois state machinery and that of private capitalist monopolies have been merged in it. And a new force has made its appearance in recent decades on the international stage, viz., transnational corporations which are more and more laying claim to the role of direct participants in international affairs on an equal footing with governments.<sup>3</sup> They enjoy particularly great influence in the USA. In order to draw American monopolies more actively into the performance of foreign policy tasks, it was proposed, for example, that the following measures, dictated by the monopolies' interests, should be taken at government level:

(1) to accept officially the thesis of the effectiveness of multinational (transnational) business and its important role in the foreign policy sphere;

(2) to broaden the information on various aspects of the activity of TNCs (in a spirit favourable to the corporations, of course), so that American citizens could better understand the machinery of the functioning of transnational corporations, and in essence recognise the activity of TNCs as an expression of U.S. national interests in the international field;

(3) to get a review everywhere of the practice of taxing American TNCs' operations so as to stimulate free movement of capital according to the 'inherent' laws of the market;

(4) to introduce a special 'tax differential', which the American government could manipulate so as to affect the operations of TNCs according to the 'behaviour' of an individual recipient country;

(5) to control the export of the latest technologies more strictly, with due allowance for the experience of other industrially developed capitalist countries, e.g., Japan;

<sup>3</sup> See *International Affairs*, 1981, 7: 88-94.

(6) allowing for foreign political tasks, to resort to complete closing of the American market to certain (objectionable) countries or the import of certain goods.

The link between foreign policy and the interests of capital expansion can be traced quite clearly, but the political pretensions of the monopolies go so far that the usual standards of bourgeois diplomacy are not always suitable for them. Evidence of that, in particular, is the extension of the 'private diplomacy' carried on by the imperialist monopolies, which set up the Trilateral Commission in the 70s and other foreign policy centres to 'co-ordinate' government diplomacy and in turn serve as an instrument of imperialist countries' foreign policy.<sup>4</sup> The overseas expansion of capital is presented by American ideologists as an effective means of spreading the principles of private enterprise and propaganda for the notorious 'American way of life'. Transfer of some of the functions of foreign policy decision-making from public offices to the headquarters of the monopolies—what can more graphically witness to the deep crisis of imperialist diplomacy!

In pursuing an expansionist course bourgeois diplomacy often resorts today to such methods as blackmail, the introduction of embargoes of every kind, sanctions, etc., in response to the actions or decisions of countries that are disagreeable to the monopolies, i.e. of countries that do not permit outside interference in their domestic affairs. To that end invented pretexts like the events in Afghanistan, and later the Polish government's measures to defend the socialist system and rebuff the forces of counter-revolution, are employed. It is indicative that Milton Friedman, for example, who is the recognised 'spiritual father' of the economic platform of the Reagan Administration, has noted the doomed character of such 'diplomacy'. Economic sanctions against the USSR, for example, he justly called 'a confession of impotence'.<sup>5</sup>

In performing a certain social task bourgeois diplomacy sometimes does not try to use experience and means from the arsenal of the customs and traditions, standards and methods that have been built up and amassed over centuries of nations' mutual intercourse, and of states' foreign political activity. It is broadening its foreign political arsenal by methods inherent in the major monopolies' operations with their aggressiveness, crudeness, and unwillingness to take any moral principles and standards into consideration if they do not serve the aims of making profit. By that logic the U.S. government should not restrict the foreign operations of American capital since, in that case, the state would deprive corporations of opportunities to invest capital in the most profitable industries and economically favourable regions of the world, would undermine the foundations of the market economy, and do

<sup>4</sup> See *Diplomatiya i mirovoye khozyaystvo* (Diplomacy and World Economy), Mezhdunarodniye Otnosheniya, Moscow, 1966, pp 9-27; I. D. Ivanov. Corporations' 'Private Diplomacy' versus State Sovereignty, *Mezhdunarodniye monopolii vo vneshnei politike imperializma* (International Monopolies in the Foreign Policy of Imperialism), Mezhdunarodniye Otnosheniya, Moscow, 1981, pp 93-127.

<sup>5</sup> *Newsweek*, 1980, 95, 3: 48.



harm to the private initiative that governs the economic efficiency and 'creative spirit' of American business.

The principle of freedom, so understood, accords with the U.S. Administration's decision to determine its policy in relation to other countries in accordance with their voting in the United Nations. Members of the United Nations have clearly been given to understand that those voting against the stand of the USA can hardly count on financial, food, and other assistance from America. How do such methods accord with the solemn obligations assumed by the United States under the Charter of the United Nations? They do not bother about that question in Washington.

More and more significance has been attached in the USA since the 70s to foreign political propaganda. It has become a component of American foreign policy, and the agencies organising it are now structurally part of the U.S. government. The American monopolies constantly exert great influence on the forms and direction of this propaganda, including subsidising the mass information media. The hard core of the propaganda's content, moreover, is anti-Sovietism and anti-communism, while the vested interests of the monopolies are presented as the interests of the American people.

The deceit to which the diplomacy of capitalist countries, especially of the USA, resorts finds clear reflection in an acute contradiction between the officially declared principles and aims of their foreign policy and the measures that are actually carried out. Their ruling circles, while proclaiming outwardly noble foreign policy principles and aims, are often endeavouring to mask their real intentions and activities in international affairs under that kind of cover and so hide the essence of their diplomacy, alien to the people, its dedication to aims of international oppression, increased exploitation of their own people, aggressive foreign policy and hegemonism in international affairs. Bourgeois diplomacy also used to widely employ references to noble principles to justify an anti-popular line in foreign policy, but never before have the principles of business and profit been presented in so four-square a fashion as the public, national interests.

The American historian, Prof. W. A. Williams, of Oregon State University, puts forward the following thesis:

It was the need for American corporations to expand their investments and protect their markets that led to such diverse developments as the U.S. involvement in Vietnam, the Marshall Plan to aid Western Europe and American intervention against the left-wing regime of Salvador Allende in Chile.<sup>6</sup> His thesis quite correctly shows the link between the interests of American business and U.S. foreign policy.

The hypocritical tricks of capitalist governments, forced in some cases to 'criticise' certain actions of their corporations, cannot hide or disprove this link. ITT, for example, considered itself 'betrayed' by its government when its actions to undermine the Allende Government in Chile evoked an outward show of disapproval by the American

Administration. That, of course, is a tried and tested propaganda technique!

It is a favourite method of the bourgeoisie to shroud diplomatic activity in secrecy. It shamelessly turns to its benefit the masses' ignorance (through no fault of their own) of foreign affairs, cultivated with special care and therefore even more common than in home affairs. 'Popular deception has become a real art in foreign "affairs",' Lenin remarked.<sup>7</sup>

Secrets relating to the true impelling motives and the mechanism of bourgeois diplomacy are now guarded no less jealously than before, so as to serve as a cover for the pretence and hypocrisy of practical actions.

Capitalist countries actively resort to a hallowed method of diplomacy, namely of exploiting contradictions in the enemy's camp. In trying to achieve their aims, they invariably attempt to provoke and inflame disputes and conflicts among countries they class as enemies (and often succeed), and if they see a chance to get political and other dividends thereby, they stop at nothing in order to sow discord even among their allies.

An important place is assigned in the package of diplomatic means used by capitalist countries to co-ordination of their foreign policy. This co-ordination, which is based on their community of class interests in the international field, is now carried to considerable length within the military and political alliances and other exclusive groups, like NATO and the Common Market, and also through regular meetings of the leaders of the Big Seven of the capitalist world.

At the same time the following fact cannot help putting its stamp on the effectiveness of this co-ordination, viz., that it is precisely within this context that the permanently unstable set-up in the world of capital makes itself particularly clearly felt; an example was the Reagan Administration's use of the high interest rates established by the U.S. financial oligarchy, which in fact meant an attempt to solve its economic difficulties at the expense of its partners. Inter-imperialist antagonisms are even more broadly manifesting themselves, thus revealing the crisis that the system of military alliances and blocs created under the aegis of the USA is often encountering.

The tendency to domineer and to establish the dominance of the major powers over other countries in accordance with the power of their monopolies makes itself distinctly felt in the sphere of foreign policy co-ordination. The leaders of NATO, for instance, and first and foremost the USA, are striving, under the cover of so-called Atlantic solidarity, to entangle the other partners in the bloc with allied obligations and to limit their independence to a maximum. It is claimed, for example, that the Western economic bloc should present a united front so as to prevent manoeuvring by the USSR and other socialist countries in response to discriminatory and unfriendly actions by the USA. The United States

<sup>6</sup> *U.S. News & World Report*, 1982, 92, 3: 44.

<sup>7</sup> V. I. Lenin. *The Foreign Policy of the Russian Revolution. Collected Works*, Vol. 25 (Progress Publishers, Moscow, 1980), p 85.



neglected no means available to her—economic, political, and diplomatic—to force West European countries to turn down the deal to sell the USSR pipes in return for deliveries of gas. That U.S. action had nothing in common, of course, with recognised standards of international intercourse on principles of equality, mutual benefit, non-interference, and respect for sovereignty.

It is becoming more and more difficult for the champions of 'Atlantic solidarity' to steer the foreign policy of each of members of NATO into the channel of the USA's imperialist course. Events of recent years witness that some West European countries are by no means always inclined to accept and support unconditionally U.S. actions in Europe and other regions of the world, and are beginning to look for their own approach to the solution of international issues of interest to them.

The deepening of the general crisis of capitalism affects its economy and politics and is manifested in a sharp crisis of the world capitalist economy and in the foreign policy of imperialist states. The evolution of international affairs confirms the fruitlessness of the imperialist policy from 'position of strength' and cold war.

## **§2. World co-operation as a counterweight to the sordid expansion of capital**

The 26th Congress of the CPSU again confirmed that the problem of war and peace is the key issue in the contemporary international politics. The divide between the forces of progress and reaction and the criterion of the position of any current of opinion or organisation is its attitude to this matter.

Capital's apologists claim that as capitalism develops it becomes very nearly a guarantee of peace since (according to them) war production had always been nationally exclusive and the export of capital accordingly undermines the very basis of militarism. Arguments like the following are also adduced in favour of the 'pacifistic' nature of capitalism and especially of the alleged peaceful essence of the export of capital: the increase in the interpenetration of capitals, and the enlargement of the monopolies' property, which, it is claimed, also leads to the conversion of imperialist corporations and governments, organically linked, into an instrument of peace. Unfortunately, as the facts show, such views are sometimes exploited by those who call themselves spokesmen and defenders of the interests of the working masses.

But, as Lenin pointed out, imperialism is, by virtue of its fundamental *economic* traits, distinguished by a minimum fondness for peace and freedom, and by a maximum and universal development of militarism.<sup>8</sup>

The growth of capital's exports and its increasing internationalisation do not lessen the aggressiveness of capitalism, but rather the contrary. If we have succeeded in preventing a world military conflag-

<sup>8</sup> V. I. Lenin. *The Proletarian Revolution and the Renegade Kautsky. Collected Works*, Vol. 28 (Progress Publishers, Moscow, 1977), p. 239.

ration for nearly four decades, it is first and foremost because of the active policy of the USSR and the other countries of the socialist community, and the salutary influence of real socialism on international affairs. At the same time the continuing danger of a new world war, and the development of a ruinous arms race are wholly the consequence of imperialism's actions and its expansionist foreign policy governed by the aims of the aggressive circles of monopoly capital.

It is indicative that when Washington was forced to recognise detente in general, there was a certain expansion of economic relations between the USSR and the USA. But later the American companies and firms concerned were accused of immorality and pusillanimity, and of encouraging disturbance of military and political equilibrium. Attempts were made by the most aggressive circles, backed by the military-industrial complex, to dictate the terms not only to American companies but also to business in many other countries on which to carry on (or rather, not to carry on) affairs with the Soviet Union and the other countries of the socialist community.

The policy of the Soviet Union and fraternal socialist countries in relation to capitalist countries has been governed, and is being governed, as is well known, by the struggle for lasting peace, affirmation of the principles of peaceful coexistence, weakening of the danger of the outbreak of a new world war, and in the long run for eliminating it. As was stressed at the 26th Congress of the CPSU:

To safeguard peace—no task is more important now on the international plane for our Party, for our people and, for that matter, for all the peoples of the world.<sup>9</sup>

The change in the balance of power in international affairs (connected primarily with consolidated positions of the socialist community), the dynamic foreign policy of the Soviet Union and the other members of the Warsaw Treaty, the advances of the international communist, workers' and national liberation movements and finally awareness of the new realities by many statesmen in capitalist countries, all taken together determined the turn toward a general improvement of the political climate that occurred in the late 60s and early 70s. Successful implementing of the Peace Programme put forward by the 24th Congress of the CPSU and developed by the 25th and 26th Congresses brought tangible results.

Significant progress has been made in the consistent struggle for peace and relaxation of tensions by the countries of the socialist community together with the other peace forces. The biggest advance is that the tragic cycle—world war, a short peaceful interlude, and again world war, giving capital a redivision of world markets and spheres of influence with a new balance of power—has been broken.

Evidence of the importance of that shift for the fate of the world and of the opportunities it is opening up, is the following estimates made by the Club of Rome on the basis of data of the International Labour Organisation. By the year 2000, at existing rates of population

<sup>9</sup> *Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union* (Novosti Press Agency Publishing House, Moscow, 1981), p. 40.



growth, it will be necessary to create more than 1,000 million new jobs. With an average outlay of \$40,000 per job that would necessitate thousands of billions of dollars. Even allowing for the fact that the cost of a job is less in developing countries, it would be necessary, just the same, to invest many additional hundreds of billions of dollars a year. Yet that, after all, is less than is now being spent on military purposes.<sup>10</sup>

The programme put forward by the Soviet Union to secure peace, peaceful coexistence, curtailment of the arms race, and disarmament, has therefore become specially important. For people who have no work, or who are living on the verge of death from starvation, or in poverty (and they number several hundred millions in today's world) implementation of the Soviet programme is the road to preserving life in face of the menace of nuclear war and to survival in present-day conditions.

All that, it goes without saying, is also not without its effect on the diplomacy of capitalist countries. They have persistently opposed, and are opposing, every change that the development of world events has put on the agenda.

But the whole course of history calls for another approach, and however much the opponents of co-operation resist it, diplomacy must adapt itself to the new elements that are decisively invading international affairs. It is already impossible to get around them by cosmetic patching up of the forms and methods of diplomacy of the kind that was made in the past. A need has arisen to make a definite correction in the substance of the approach to international problems. That has put an increasingly marked imprint, as we have shown, on the diplomacy of capitalist countries.

Ensuring peace and the security of nations, in spite of the striving of monopoly capital for the arms race and aggression, will open the road to peaceful co-operation on the basis of equality, respect for sovereignty, non-interference in internal affairs, and mutual benefit. This is a goal of the socialist countries' policy, and pursuit of this goal is the logical implementation of Lenin's programmatic directive that he formulated even before the October Revolution: 'An end to wars, peace among the nations, the cessation of pillaging and violence—such is our ideal...'<sup>11</sup> This idea was reflected in the Decree on Peace and other documents adopted immediately after the Revolution.

These aims are promoted by the assertion in international relations of the principles of peaceful coexistence and international trust and co-operation.

Socialism and peace are inseparable, and this is testified by the activity of the Communist Party of the Soviet Union throughout the whole history of the Soviet country. A peace policy is inherent to the socialist state in which private property and exploitation have been

<sup>10</sup> See Orio Giarini. *Dialogue on Wealth and Welfare. An Alternative View of World Capital Formation. A Report to the Club of Rome* (Pergamon Press, Oxford, 1980), pp 160-161.

<sup>11</sup> V. I. Lenin. *The Question of Peace. Collected Works*, Vol. 21 (Progress Publishers, Moscow, 1977), p 293.

abolished, and the economic and social causes engendering war have been eliminated. The Soviet people are vitally interested in ensuring peaceful conditions for their creative, constructive work.

The rise of the Soviet Republic, the first socialist state in the world, posed the question, with full sharpness, of what the relations between states belonging to different social systems would be. Can they be relations of peace and co-operation, or will they inevitably lead to armed struggle?

The theoretically substantiated answer to that question, which has now become a cardinal issue for the fate of humanity, was provided by Lenin. He showed that the transition from capitalism to socialism would take a long historical period during which there would be states in the world belonging to two opposed social formations, and formulated the principle of their peaceful coexistence, which embodies the objective pattern of the development of human society in the present epoch. From the first day of the foundation of the Soviet state that principle has been a fundamental one of Soviet foreign policy, and the Soviet Union has been invariably guided by it in its relations with capitalist countries.

For a long time bourgeois governments ignored Soviet proposals for the establishment of peaceful relations and development of business co-operation. Furthermore, the most aggressive circles, blinded by class hatred, strove to represent the October Revolution as some sort of 'mistake' of history and even tried to correct it—with bayonets. But neither intervention nor, later, the painful war imposed by fascism smashed the Soviet state or could divert the Soviet people from their chosen path. The Land of Socialism and its powerful system stood up to them.

In the period since the war the collapse of the cold war unleashed by the imperialists, and of policy 'from positions of strength', has been convincing evidence of the irreversibility of the gains of world socialism. The more far-sighted leaders of the West have had to face the truth and recognise that it is impossible to settle the historical disputes between capitalism and socialism by military means. The competition must be peaceful.

In spite of a certain deterioration of the international climate as we entered the 80s as a consequence of the adventurist actions by imperialist circles, especially those of the USA, the shifts in international relations secured in the period of detente are evidence of the triumph of the principles of intercourse introduced into international affairs by socialism over the principles dictated by the expansionism of capital and its goals of profit and money-grubbing.

Against the background of the untiring struggle of the USSR and the other countries of the socialist community to develop peaceful co-operation in Europe and to get all countries to carry out the provisions of the Final Act of the Helsinki Conference, attempts to undermine the development of good-neighbourly relations by references to alleged breaches of the Helsinki understandings (which is sheer deceit) look especially brazen.



The use of economic sanctions against socialist countries is not a new technique. It was resorted to more than once in the past in relation to the first country of socialism and to other states of the socialist community. History has repeatedly confirmed that these depraved policy and practice have been a complete fiasco every time.

### **§3. The crisis of the system of international capitalist relations, and the restructuring of international economic relations on an equal footing**

The restructuring of international economic relations on a just and equal basis has become one of the most important problems of modern times.

Lenin, the founder of the Soviet state, pointed out that socialism created 'completely different international relations which make it possible for all oppressed peoples to rid themselves of the imperialist yoke'.<sup>12</sup> In the early years of Soviet government when world imperialism had already taken the line, after the collapse of foreign military intervention, on strangling the Soviet Republic by means of political and economic blockade, the principled political line of the Soviet state was elaborated, aimed at the elimination of discrimination and all artificial obstacles to international trade, the abolition of all manifestations of inequality, *diktat*, and exploitation in international economic relations. In 1922, at the Genoa and Hague conferences, the Soviet Government came out with a broad action programme to deal with world economic problems and put forward proposals to abrogate fettering treaties, overcome inflation, combat the fuel crisis, and reorganise international transport.

At the Genoa Conference G. V. Chicherin declared that whilst themselves preserving the point of view of communist principles, the Russian delegation recognise that in the actual period of history which permits of the parallel existence of the ancient social order and of the new order now being born, economic collaboration between the States representing the two systems of property is imperatively necessary for the general economic reconstruction.<sup>13</sup>

In the period since World War II the Soviet Union has repeatedly come out for democratisation of the sphere of international economic relations, regarding countries' mutually beneficial economic co-operation as the material basis for a policy of peaceful coexistence.

Thus, the USSR, as one of the initiators of the U.N. Conference on Trade and Development (UNCTAD), together with the other socialist countries, put forward the basic principles of equitable international economic co-operation at its first session in 1964.

<sup>12</sup> V. I. Lenin. The Eighth All-Russia Congress of Soviets, December 22-29, 1920. Report on Concessions Delivered to the R.C.P.(B.) Group at the Eighth Congress of Soviets, December 21. *Collected Works*, Vol. 31 (Progress Publishers, Moscow, 1977), p. 477.

<sup>13</sup> *Documents on British Foreign Policy, 1919-1939*, First Series, Vol. XIX (HMSO, London, 1974), p. 348.

The Soviet Union is constantly active in promoting the struggle for national and social emancipation of peoples and elimination of the yoke of foreign capital.

Even in the days when the bonds of the colonial system of imperialism fettered nearly two-thirds of the territory of the world and more than 70 per cent of its population, Lenin prophetically foresaw the immense revolutionary possibilities of the labouring people of the colonial countries and pointed out that

the socialist revolution will not be solely, or chiefly, a struggle of the revolutionary proletarians in each country against their bourgeoisie—no, it will be a struggle of all the imperialist-oppressed colonies and countries, of all dependent countries, against international imperialism.<sup>14</sup>

The sphere of relations with countries and nations that were the object of colonial exploitation by imperialism has become a field, immense in scope and significance, of the transforming and constructive activity of Soviet foreign policy since the first days of the triumph of the October Revolution. As a counterweight to the system of oppression and enslavement of peoples, created by capital, the Soviet state's policy toward nations emancipated from colonialism rests on the majestic ideas of internationalism and a Marxist-Leninist understanding of the national liberation movements' role in the contemporary epoch as a component of humankind's historical transition from capitalism to socialism.

While broadening its economic co-operation with emancipated countries, and constantly enriching its content, the USSR sets itself the aim of helping them to get out of the grip of backwardness and to build their own independent national economies. The USSR's stand on these issues is expanded in the Soviet governments' statement on the restructuring of international economic relations of 4 October 1976, which says in particular that the Soviet Union, pursuing a line of extending co-operation with all countries, takes the special position of developing countries in the world economy into account, and evinces due understanding of their specific needs and problems. The USSR, basing herself on the positive experience gathered in this field, and responding to the wishes of these countries, is developing co-operation with them on democratic and equal principles and consolidating economic, scientific and technical ties on a long-term, stable, mutually beneficial basis.

The Soviet Union has expressed her readiness to extend the practice of long-term trade and economic agreements with interested countries, to develop industrial co-operation and other forms of external economic relations with them, to help interested developing countries to master their natural resources on terms guaranteeing genuine sovereignty and respect for the co-operating parties' legitimate rights, and to increase technical assistance for developing countries, primarily through comprehensive projects and the development in them of their own infrastructures, science, and educational system.<sup>15</sup>

<sup>14</sup> V. I. Lenin. Address to the Second All-Russia Congress of Communist Organisations of the Peoples of the East, November 22, 1919. *Collected Works*, Vol. 30 (Progress Publishers, Moscow, 1977), p. 159.

<sup>15</sup> *Pravda*, 5 October 1976.



The Soviet Union's principled course in international economic matters was reaffirmed by the 26th Congress of the CPSU, at which it was stressed that

we are prepared to contribute, and are indeed contributing, to the establishment of equitable international economic relations.<sup>16</sup>

The USSR highly appreciates the level of economic co-operation reached with liberated countries, consistently supports their struggle to liquidate their unequal position in the capitalist world economic system, and gives them great help on a bilateral basis within the limits of her possibilities and in forms corresponding to her social system that have demonstrated their effectiveness and been recognised by these countries themselves. More than 4,900 industrial and other facilities have been built in developing countries with the help of the socialist community, of which 3,300 are already in operation. That is what the socialist countries' internationalism consists in, in practice, and it is bringing tangible benefits to developing countries.

The Soviet Union takes an active part in the socio-economic work of the United Nations, a main direction of which (in particular within the context of ECOSOC) is the restructuring of international economic relations. The struggle for that is one to eliminate survivals of colonialism and its heritage in emancipated countries' economic relations with the former metropolitan and other imperialist powers. It finds reflection in particular in a whole number of anti-monopoly demands aimed at decolonisation of developing countries' economies.

The term 'new international economic order' has come into international usage to denote the set of ideas on the restructuring of international economic relations in the interests above all of developing countries, and has become the joint platform of the emancipated countries. It is fixed in the following U.N. documents: The Declaration and Programme of Action on the Establishment of a New International Economic Order, Resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974; and the Charter of the Economic Rights and Duties of States, Resolution 3281 (XXIX) of 12 December 1974. The conception has since been developed further and concretised at UNCTAD IV and UNCTAD V (Nairobi, 1976; Manila, 1979); the 5th and 6th summit conferences of non-aligned states (Colombo, 1976; Havana, 1979); the 3rd, 4th, and 5th ministerial conferences of the Group of 77 (Manila, 1976; Arusha, 1979; Lima, 1981), and at a number of other meetings and conferences.

Many questions of principle put forward by the Soviet Union and other socialist countries at international forums have found reflection in the U.N. documents mentioned above. The Declaration of 1974, for instance, embodies the principles of the sovereign equality of states, the self-determination of all nations, territorial integrity and non-intervention in internal affairs, the full and inalienable sovereignty of every country over its national resources and all economic activity, including the right to nationalise. The Charter of the Economic Rights

<sup>16</sup> *Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union*, p. 21.

and Duties of States consolidates such key principles and propositions as peaceful coexistence, the obligation of all countries to promote the attainment of universal, complete disarmament, the peaceful settlement of disputes, and strict observance of international obligations. These standards of international law, which are becoming universally accepted, predetermine the essentially anti-imperialist aspects of the U.N. decisions on the restructuring of international economic relations.

The main obstacle to a radical restructuring of these relations on a democratic basis was, and remains, the negative political stand of the imperialist circles of the West, above all of the USA, and on the practical plane the activity of TNCs, especially the American ones. It is incontestable that exploitation of developing countries' manpower and natural resources via TNCs inevitably leads to the reproduction and deepening, in new conditions, of relations of domination and subordination, and that the outflow of profits exported by the monopolies cannot be compensated by the West's 'aid' for these countries.

Most of the negotiations on the restructuring of international economic relations are blocked, in fact, by the rigid position of the West, above all of the USA, which is designed to ensure stability of the existing system of the international capitalist division of labour.

The USSR's principled line was manifest in the support of the developing countries' idea of carrying on 'global negotiations' within the United Nations so as to translate the documents on the new international economic order, adopted in the 70s, into the language of practical action. The initiators of this idea (it was put forward at the Sixth Conference of Heads of State and Government of Non-Aligned Countries in 1979 in Havana) proposed to convene a U.N. conference on 'global negotiations' for purposes of development and international economic co-operation, and to bring up problems of raw materials, energy, trade, economic development, and monetary and financial relations for its discussions. The question was discussed at the 34th, 35th, and 36th sessions and the 41th Special Session of the U.N. General Assembly, but it proved impossible to get any decision on the agenda and organisational matters for these negotiations because of the obstruction of the USA and her allies.

When we appraise the situation as a whole it becomes obvious that the major states of the West, headed by the USA, have taken a line on undermining the idea of restructuring international economic relations. They oppose the establishing of a new international economic order and are endeavouring to secure such an arrangement of 'global negotiations' that would not shake the foundations of the system of unequitable economic relations that exists in the capitalist world.

President Reagan's Administration, moreover, as became clear at the 'North-South' meeting in Cancun (Mexico) in 1981, is actively imposing a thesis of the need to eliminate all obstacles to, and limitations on, the expansion of private capital, above all that of TNCs, hypocritically claiming that this is precisely the road to developing countries' economic growth. In other words, Washington proposes to count on the notorious 'freedom of enterprise' which is alleged to bring



them prosperity and plenty. But the approaches to the economic problems of developing countries imposed by Washington are old imperialist recipes, refuted by life.

In Washington they do not want to admit that the unequal character of present-day international economic relations (the machinery of which took shape against the background of quite different balance of power in the world, when the majority of the countries that are now sovereign members of the United Nations were colonial or dependent territories) has become an anachronism in our day, and is in flagrant contradiction with the interests of the emancipated countries and modern international economic co-operation on an equal footing.

The main task facing developing countries today is to tackle the problems of economic independence and social emancipation, and overcome age-old backwardness. That is leading to the national liberation movement's objectively getting a deeper and deeper social content, and to posing newly independent states the question of choice of the optimum path of further development. A normal manifestation of the nature of the present epoch is the fact that, in a whole number of these countries, these tasks are being tackled in the interests of the working people on the basis of a socialist orientation and full, or almost full, rejection of the principles and methods of public affairs dictated by the logic of capital. Developing countries' striving to consolidate their political independence, and for economic and social progress, quite naturally meets stubborn resistance from the forces of imperialism and local reaction. In its efforts to consolidate their dependence and perpetuate their economic backwardness, imperialism counts on finding means to shift no small part of the difficulties generated by its inherent contradictions and crises onto them, and so to strengthen its position and prolong the existence of the capitalist system. The ugly instruments of the policy of neocolonialism are the use of economic and financial levers, the inflaming of internecine religious and tribal warfare, and the provoking of fratricidal wars. The fierce fights with exploiter elements and their foreign protectors lead in some cases to wavering in newly independent countries' policies, and sometimes even to loss of positions won, and to retreat.

As for the Soviet Union, it is unswervingly faithful to Lenin's line of strengthening solidarity with the peoples of Asia, Africa, and Latin America. There is not a page in the chronicle of the fight for national liberation and social emancipation that is not stamped with active support from the CPSU and the Soviet state. In that liberation struggle, as elsewhere, the Soviet Union takes the side of the forces of progress, democracy, and national independence, and counts the emancipated countries as her friends in this majestic struggle.

The CPSU supports, and will continue to support, the nations that are battling for freedom and independence. The Soviet Union seeks no gain for herself from that, is not hunting for concessions, is not aiming at political domination, is not soliciting military bases.

The Soviet Union and the fraternal socialist countries declare, in the United Nations, too, that the restructuring of international economic

relations on a democratic basis and the principles of equality is historically legitimate and that much can and must be done about it.

In its Programme of Further Struggle for Peace and International Co-operation, and for the Freedom and Independence of the Peoples, the 25th Congress of the CPSU set the task of working for eliminating discrimination and all artificial barriers in international trade, and all manifestations of inequality, dictat and exploitation in international economic relations.<sup>17</sup>

It will readily be seen that this task, which is a consequence of measures to ensure peace and international co-operation, is an inseparable part of the principled foreign policy platform of socialism.

The conception of peaceful coexistence and the principles of international intercourse linked with it are steadily gaining the upper hand over the standards of relations determined by the greedy interests of capital.

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Experience is daily confirming the profound vitality of the ideas of Marxism-Leninism. In all the spheres of political, economic, and social affairs as a whole, it is socialism, above all real socialism, flourishing and developing, that provides the real answer to the urgent problems of humankind's evolution. At the same time mankind is becoming more and more convinced that the domination of capital is not leading to real social and economic progress, is narrowing, rather than broadening, the prospects for nations' development. The peoples of the various continents are being convinced by their own experience of the justice of Communists' conclusion that capitalism is a system without a historical future.

Socialism is the most humane and progressive system in the history of mankind. Its motto has always been, and remains, peace and constructive creation. The countries of the socialist community have linked the present and future with peaceful development. In coming forward as the leading factor in the struggle to maintain peace, they are thus promoting solution of the tasks of real, world-historical significance and are working to provide the necessary conditions for the successful building of a new society.

The Leninist strategy of the CPSU and the Soviet Union in international affairs is opening up broad vistas for constructive work for peace. The peaceful principles and aims of the USSR's foreign policy are unaltered. They have maintained their continuity from the time of the first foreign policy act of the Soviet state, the Decree on Peace, to the Peace Programme of the 24th, 25th, and 26th CPSU Congresses, which is being firmly and unswervingly followed, and which will be carried out in the future.

Soviet foreign policy, stressed the Plenum of the CPSU Central Committee in November 1982,

<sup>17</sup> *Documents and Resolutions. XXVth Congress of the CPSU* (Novosti Press Agency Publishing House, Moscow, 1976), p 32.



has been and continues to be as determined by the decisions of the 24th, 25th and 26th Congresses of our Party. Securing lasting peace, defending the right of peoples to independence and social progress are the invariable aims of our foreign policy. In the struggle for these aims the leadership of the Party and the state will act according to principle, consistently and thoughtfully.<sup>18</sup>

With the Soviet Union in the struggle for peace are the fraternal countries of socialism, the fighters for national liberation and social emancipation, all peace-loving countries, and all the honest people of the world. A policy of peace expresses the fundamental, vital interests of humankind and the future depends on it.

<sup>18</sup> Yuri Andropov. *Our Aim Is to Preserve Peace* (Novosti Press Agency Publishing House, Moscow, 1983), p 5.

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## SUBJECT INDEX

### A

*Abbott Plan*—251  
*AEG (Allgemeine Elektrizitäts-Gesellschaft)*—54, 148  
*Africa* (see also separate countries)—  
 23, 28, 34, 77, 114, 238, 244, 282,  
 285, 286, 293, 301, 302, 361, 378  
 —apartheid in—301  
 —neocolonialism in—325-27  
 —profits of American corporations  
 in—183, 235, 331, 337  
*Agency for International Development*  
*(AID)*—334  
*Aggression, Imperialist* (see also *Mil-  
 itary Blocs*)—34, 47, 48, 155  
 —against the national liberation move-  
 ment—232, 246, 278, 293, 302,  
 303, 340, 341, 346  
 —against the USSR—85, 155, 156,  
 169, 198  
 —economic—32, 167, 168, 192, 197,  
 240, 241, 244, 255, 257, 259, 327,  
 376  
 —political—32, 34, 36, 37, 185, 351  
*ALCAN (Aluminium Co. of Canada)*—  
 265  
*ALCOA (Aluminium Co. of Ameri-  
 ca)*—143, 149, 151, 265  
*Algeria*—242, 245, 348, 364  
*Aluminium* (see also *Bauxite*)—156,  
 157, 200, 261, 300  
*Aluminium Limited*—265  
*American Bankers Association*—165  
*Anglo-Iranian Oil Company* (see *Brit-  
 ish Petroleum*)—235, 244  
*Arabian-American Oil Co. (Aramco)*—  
 235, 241, 346, 350, 354  
*Argentina*—47, 116, 119, 179, 212,  
 220, 228, 238, 248, 249, 285, 330,  
 338, 340, 342, 355, 357  
*Arms race*  
 —and American capital exports—21-  
 23, 153, 200, 238, 254, 259, 306,  
 367  
 —socio-political consequences of—26,  
 173, 185, 198, 203, 204, 230,  
 373  
*Arusha Conference, 1979*—378

*Asia* (see also separate countries)  
 —colonialism in—35, 77, 114, 181,  
 186, 190-92, 203, 207, 215-17,  
 219-21, 227, 228, 235, 241, 252,  
 276, 277, 280, 284, 293, 301, 303,  
 325, 326, 330-32, 337, 341, 353, 361  
*Australia*—31, 47, 117, 183, 235,  
 238, 264, 277, 278, 282, 285, 286,  
 302, 364  
*Austria*—31, 47, 85, 127, 290, 311,  
 364

### B

*Bahamas*—28, 338, 340, 355, 364  
*Bahrain*—235, 348  
*Bahrain Petroleum Co.*—235  
*Bangladesh*—35, 364  
*Bank for International Settlements*  
 (see also *Reparations*)—132, 136, 137  
*Bank of America*—330, 341  
*Bank of England*—74, 75  
*Bauxite*—200, 265  
*Belgium*—31, 33, 47, 53, 74, 112, 121,  
 127, 161, 167, 225, 238, 262, 265,  
 280, 290, 312, 316, 317  
*Bermuda*—28, 338, 340, 355  
*Beryllium*—266  
*Bolivia*—90, 261, 279, 364  
*Botswana*—335  
*Brazil*—115, 116, 179, 183, 190, 211,  
 215, 220, 228, 238, 277, 282, 285,  
 336, 338, 340, 342, 355, 364  
*Bretton Woods Conference*—195, 266-  
 68, 270, 272-74, 281, 288, 298  
*British Guiana*—220, 265  
*British investments*  
 —in Latin America—112-14, 193  
 —in sterling area—181, 194, 195, 308  
*British North Borneo*—253  
*British Petroleum*—344  
*Brussels Conference, 1920*—84  
*Burma*—193

### C

*Caltex Pacific Oil Co.*—252, 323  
*Cambodia*—208



Canada—28, 31, 33, 47, 50-54, 77, 112-15, 161, 180, 181, 183, 193, 195, 213, 225, 235, 238, 259, 264, 266, 286, 295-97, 302, 315, 331, 365  
—American investments in—115, 224, 250, 251, 319-21  
—British investments in—114, 115  
Cancun Conference, 1981—327, 379  
Capital, concentration of—24, 105, 236, 237, 247, 294  
Capital exports  
—and imperialist foreign policy—23, 159, 184, 185, 223, 229, 231, 232, 234, 294, 296, 304, 314, 318, 331, 334, 335, 372  
—and social expansion—20, 328, 336  
—and state monopoly capitalism—19-32, 235, 242, 251, 325, 368  
—and TNCs—11, 12, 28, 29, 321  
—from imperialist powers—19-32, 302-306, 330  
Caribbean Development Bank—364  
Cartels, international  
—and revival of German militarism—147-55  
—oil—234, 240, 241, 246-49, 252, 344, 345, 348  
Caterpillar—310  
Ceylon—253, 254  
Chase Manhattan Bank—309, 330  
Chase National Bank—138, 271  
Chemical Bank—330  
Chile—116, 166, 179, 183, 190, 211, 238, 285, 339, 364, 370  
China—34, 48, 52, 60, 64, 66-71, 117  
—'open door' policy toward—52, 60, 68, 70, 95  
—U.S. territorial expansion—48, 60, 66-71, 167, 171  
Chromium—261, 299  
Citi bank of New York—95, 330  
Cities Service Oil Co.—246  
Colombia—115, 116, 220, 248, 249, 277, 282, 285, 336, 338, 342, 364  
Colombo Conference, 1976—378  
Colonialism—14, 184, 377  
Common Market (see European Economic Community)  
Compagnie française des pétroles—245, 246  
Compagnie minière de l'Ogooué S. A. (Comilog)—265  
Concessions, foreign—55, 59, 63, 249, 252, 258, 344  
Conference of Foreign Ministers of American Republics, 1942—162  
Continental Illinois National Bank & Trust Co. of Chicago—235  
Continental Oil Corp.—248  
Cooley Amendment—205, 206  
Copper—261

Costa Rica—115, 166, 279  
Creole Petroleum Corp.—211, 248, 249  
Cuba—34, 52, 53, 85, 90, 114-116, 277, 279

## D

Dawes Plan—122-30, 132, 135, 136, 146  
Decree on Peace—374  
Denmark—31, 47, 116, 280, 290, 312  
Developing countries (see also separate countries)  
—and development 'aid'—360  
—expansion of U.S. capital in—28, 36, 161, 330-32, 354-56, 360  
—indebtedness—31, 352  
—military 'aid' to—34, 35  
—political discrimination against—327, 328, 382, 333, 342, 346, 347, 380  
—profits from direct American investments in—26, 27, 355  
—Soviet economic assistance to—214, 219, 347, 377-80  
—U.S. economic 'aid' to—31, 35, 36, 186-92, 227, 228-30, 334, 342, 343, 359-61, 380  
Disarmament—372-74  
Dominican Republic—249, 279, 364  
Dow Chemical—149, 151, 351  
Du Pont de Nemours (Corp.)—143, 144, 148, 149, 309  
Dutch East Indies (see Indonesia)

## E

Economic aggression—19-32, 168, 192, 241, 244, 255, 257, 259, 260, 327, 376  
Economic aid  
—to developing countries (see Developing countries)  
—to European countries—191  
Economic diplomacy—255  
Economic sanctions (see also American embargoes)—256, 369, 376  
Ecuador—115, 166, 279, 339, 364  
EEC (see European Economic Community)  
EFTA (see European Free Trade Association)  
Egypt—23, 35, 280  
El Salvador—115, 166, 293, 364  
Energy crisis—300, 347, 376  
ESSO (see Standard Oil Company of New Jersey)  
Ethiopia—364  
European currency system—299  
European Economic Community (EEC)—225, 306, 312, 315, 374

European Free Trade Association—226  
European Payments Union (EPU)—289-91  
Export-Import Bank of Washington—115, 161, 163-68, 188, 189, 206, 230, 231, 276  
Exxon (see Standard Oil Company of New Jersey)

## F

Federal Loan Agency—267  
Federal Republic of Germany—31, 33, 34, 190, 223-25, 238, 265, 276, 290, 295, 297, 302, 305, 307, 309, 316, 317, 331, 365  
Federal Reserve System (Board)—267  
Finance capital—24  
Finland—282, 285, 364  
Firestone Tire & Rubber Co.—258, 259, 307  
Foreign Investment Review Agency—320  
Foreign Investments  
—before World War I—49-71  
—during World War I—72-85  
—between the wars—106-119, 134-47, 159, 162, 222, 236  
—during World War II—160, 162, 179, 182, 183, 250  
—after World War II—201, 220, 224, 226, 228, 234, 236, 243, 307, 318, 319, 322, 331, 338  
—and TNCs—11, 14, 22, 28-30, 233, 234, 247, 250  
—geography of—161, 162  
—in developing countries—31, 162, 179, 182, 183, 214, 219, 222, 226, 228, 234, 236, 237, 254, 258, 331, 337-39, 341, 342, 352, 355  
—in industrially developed countries—20, 157, 159, 179, 182, 183, 201, 222, 224, 226, 250, 307, 309, 310, 311, 313, 315, 316, 318-26  
—private direct—17, 19, 21, 27, 32, 160, 162, 179, 180, 183, 214, 222, 224, 227, 228, 234, 236, 242, 248, 254, 296, 302, 306, 309, 313-19, 321-31, 336-39, 342, 350, 355, 361  
—private portfolio—17, 160, 179, 296, 314, 328-30  
—sectoral—26, 159, 179, 180, 182, 224, 228, 284, 236, 242, 247, 248, 255, 258, 265, 307, 315-21, 338, 339, 341, 350, 355, 356  
France—32, 33, 34, 41, 47, 51, 52, 53, 74, 79, 91, 100, 103, 104, 112, 116, 121, 124, 127, 129, 131, 132, 134, 238, 269, 271, 276, 277, 280, 282, 290, 295, 296-298, 302, 305, 364

—American capital in—161, 162, 167, 171, 201, 203, 204, 240, 256, 259, 264, 309, 318  
—and Marshall Plan—198-205  
—and reparations—127, 129  
—war debts—75, 78, 82, 89, 91, 124, 131

## G

Gabon—364  
General crisis of capitalism—7, 8, 14, 293, 372  
—and TNCs—11  
—and role of military-industrial complex—15, 301  
General Electric Co.—54, 129, 143, 144, 147, 149  
General Motors—142, 143, 150, 153, 157, 260, 301, 309  
Geneva Agreements, 1954, 1962—303  
Genoa Conference, 1922—84, 93-98, 103, 104, 376  
German militarism—119-22, 135-47, 153, 159, 184  
German Steel Trust (Stahltrust)—309  
Germany—33, 39, 41, 47, 53, 78, 89, 91, 100, 102, 112, 113, 116, 120, 122-31, 154  
—American investments in—134-46, 153, 154, 314  
—militarism—119-22, 135-47, 153, 159, 184  
—national wealth—47  
—reparations—120-46, 169  
Ghana—265, 335, 364  
Global negotiations—379  
Gold and foreign exchange reserves—108, 298, 299  
(B. F.) Goodrich Co.—142, 258, 259  
Goodyear Tire & Rubber Co.—259, 307  
Great Britain—11, 19, 31, 33, 34, 39-41, 47, 51, 53, 54, 73, 74, 76, 79, 84, 85, 87, 90, 91, 100, 103-105, 112, 113, 116, 120, 121, 124, 129, 132, 134, 136, 143, 145, 238, 251, 269, 271, 273, 274, 276, 281, 285, 290, 295, 297, 298, 364  
—American capital in—163, 171, 189-91, 202-204, 222, 224, 233, 235, 239, 240, 255, 256, 259, 291, 315-318  
—Anglo-American Financial Agreement, 1945—161, 171, 192-98  
—investment dynamics—235, 243, 245, 247, 252, 253, 262, 305  
—war debts—161, 168, 180, 181  
Greece—47, 85, 127, 171, 187, 189, 190, 285, 290, 316, 335, 364  
Group of 77—378  
Guatemala—115, 166, 215, 279, 364



Guinea Republic—265, 364  
 Gulf Oil Co.—234, 245, 311, 344, 351  
 Guyana (see also *British Guiana*)—364

## H

*Hague Conferences*  
 —1907—54  
 —1922—104, 376  
 —1929—128  
 —1930—128  
 —1931—136  
*Haiti*—115  
*Havana Conference, 1979*—378  
*Hawaiian Islands*—34, 51, 67  
*Holland* (see *Netherlands*)  
*Honduras*—115, 166, 279, 364  
*Hong Kong*—28, 228, 338, 341, 342, 355  
*Hoover Moratorium*—130-32  
*Hugo Stinnes Co.*—141, 308

## I

*Iceland*—290, 432  
*I. G. Farbenindustrie*—131, 141, 143, 145, 148-53, 308, 309  
*Imperial Preference*—195, 197, 224  
*Imperialism*  
 —characteristic features—155, 172, 184-86, 193, 198, 206, 232, 294, 367, 368, 376  
 —diktat—368, 369  
 —partition of world—11, 51, 162, 185, 221, 222, 295  
*India*—11, 28, 35, 183, 190, 193, 213, 214, 217, 220, 228, 235, 252, 256, 282, 285, 339, 341, 342, 364  
*Indonesia* (see also *Dutch East Indies*)—28, 35, 220, 228, 235, 240, 252, 257, 259, 277, 335, 338, 341, 342, 355, 364  
*Inflation*—8, 198, 362, 365, 376  
*Inter-American Financial and Economic Advisory Committee*—267  
*Inter-American Stabilisation Fund*—267  
*International Bank for Reconstruction and Development*—266-72, 357, 361, 365, 366  
 —aims—268, 269, 283  
 —and U.S. policy—181, 204, 243, 271, 273-75, 302  
 —geography of loans—276-78, 280, 282, 364  
 —history—266-69  
 —machinery—269, 270, 276, 362  
 —purpose of loans—204, 243, 270, 275, 277, 282, 283, 363  
*International Development Association (IDA)*—275, 283, 284, 366

*International Harvester Co.*—62, 153, 154, 309, 310  
*International Labour Office*—106  
*International Monetary Fund* (see also *Bretton Woods Conference*)—194, 195, 266, 291, 357, 361, 363, 365  
 —aims—272, 273, 288  
 —and U.S. policy—181, 194, 204, 243, 251, 272, 275, 285, 288, 362, 363  
 —geography of credits—285, 286, 290, 352, 362  
 —history—272, 273  
 —machinery—274, 285, 362  
 —purpose of credits—204, 243, 252  
*International Stabilisation Fund*—272  
*International Telephone and Telegraph (ITT)*—142, 144, 310, 370  
*Iran*—187, 207, 220, 235, 244, 245, 280, 282, 364  
*Iranian Oil Exploration and Producing Co. (Consortium)*—245  
*Iraq*—217, 235, 345, 346, 348, 350, 364, 365  
*Iraq Petroleum Co.*—235, 345  
*Ireland*—316, 364  
*Israel*—35, 190, 215, 221, 293, 303, 347, 348, 364  
*Italy*—31, 33, 47, 74, 89, 116, 121, 128, 238, 276, 280, 282, 290, 295, 298, 305  
 —and Marshall Plan—201, 202, 204

## J

*Japan*—28, 31, 33, 34, 48, 53, 63-66, 117, 127, 134, 194, 233, 244, 277, 282, 286, 295, 297, 298, 302, 303, 305, 323, 364  
 —U.S. economic penetration—191, 223, 243, 301, 304, 306, 312-14, 321-23, 331, 364

## K

*Kaiser Aluminium & Chemical Corp.*—264  
*Kenya*—23, 285, 364  
*Korean War*—232, 255, 259, 260, 278, 303  
*Kuhn Loeb & Co.*—64  
*Kuwait*—235, 240, 252, 345, 346, 348, 350, 365  
*Kuwait Oil Co.*—235

## L

*Latin America* (see also *separate countries*)—18, 34, 53, 77, 90, 91, 112, 113, 115, 118, 162, 166, 167, 190, 193, 203, 207, 211, 213, 215, 217, 220, 227, 228, 232, 234, 235,

243, 247, 248, 252, 262, 264, 266, 267, 272, 276, 280, 282, 286, 293, 301, 331, 336, 340, 353, 358, 361, 378  
*Lausanne Conference, 1932*—131-32  
*Lead*—245, 261, 263, 264, 299  
*League of Nations*—240  
*Lebanon*—280, 364  
*Lend-Lease*  
 —and Great Britain—168, 172, 192, 193, 196  
 —and USSR—169, 170, 172, 173  
 —U.S. foreign expansion—168-75, 176-78, 180, 192, 231  
*R. G. LeTourneau, Inc.*—258  
*Liberia*—85, 117, 257, 339, 364  
*Libya*—339, 345, 346, 348, 365  
*Lima Conference, 1981*—378  
*London Conference, 1916*—99  
*Luxemburg*—225, 280, 290, 316

## M

*Malaysia* (Malaya)—28, 193, 253, 257, 259, 261, 339, 341, 342, 355, 364  
*Manganese*—210, 253, 261, 266  
*Manila Conference, 1979*—378  
*Manufacturers Hanover*—330  
*Marshall Plan*—167, 171, 187, 188, 198-205, 288, 289, 370  
*McDonnell Douglas Aircraft*—301  
*Mellon group*—234  
*Mexico*—28, 34, 51, 53, 114, 116, 166, 167, 190, 212, 221, 235, 264, 282, 285, 330, 336, 338, 342, 355, 364  
*Middle East*—23, 28, 117, 238, 281, 293, 344  
 —expansion of monopolies—23, 193, 203, 207, 215, 217, 224, 229, 232, 234, 235, 237, 239, 240, 242, 252, 343, 344, 348, 350  
 —profitability of oil operations—234, 235, 237  
*Militarisation of economy*  
 —before World War I—72, 73  
 —during World War I—73-77, 80, 89  
 —between the wars—78, 79, 120, 123, 129, 132, 140, 144, 145  
 —after World War II—171, 172, 191, 200, 206, 231, 300, 301  
*Militarism*—15, 22, 23, 153, 155-57, 306, 309, 367  
 —German—78-80, 82, 92, 117, 120-22, 124, 125, 129-32, 134, 136, 138-43, 147, 149, 150, 152-54, 200, 201  
*Military blocs*—17, 167, 191, 208, 276, 303, 307, 308, 312, 327  
*Military-industrial complex*—15, 153, 155, 157, 260, 309

*Mobil Oil Corporation*—310, 323, 344, 346, 351  
*Molybdenum*—156, 157, 266, 300  
*Monopoly capital* (see also *State monopoly capital*)—168, 220  
 —and export of capital—11, 159, 161, 185, 230, 244, 247, 252, 263, 293, 305, 307, 311, 312, 343, 354  
 —and militarism—119-22, 153, 155-57, 175, 178, 306, 325, 367  
 —and the arms race—21-23, 171, 185, 200, 237, 259, 304, 325, 367  
 —and the law of capitalist accumulation—11, 155, 159, 170, 178, 230, 236, 311, 367, 368  
 —position on world market—33, 34, 300, 301  
*Monroe Doctrine*—47  
*Montecatini*—311  
*Morgan group*—57, 61, 138, 142, 150, 234, 303, 308, 341  
*Morgan Guaranty Trust*—330  
*Morocco*—285, 364

## N

*Nairobi Conference, 1976*—378  
*Nationalisation*—244, 245, 318, 319, 344-47, 350  
*Neocolonialism*—14  
 —in Africa—325, 326, 327  
 —in Asia—325, 326, 327  
 —in Latin America—325, 326, 327  
 —U.S. policy—206-207, 357  
*Netherlands*—31, 33, 34, 39, 47, 53, 112, 136, 161, 167, 225, 238-40, 253, 256, 261, 265, 277, 278, 280, 282, 290, 302, 312, 316-18, 331  
*New International Economic Order*  
 —and imperialist powers—357-61, 379  
 —and policy of developing countries—325, 357-59  
 —and problem of 'global negotiations'—379  
 —and USSR policy—376-378  
 —Charter of the Economic Rights and Duties of States—378-79  
 —conception of—352, 357, 376, 378, 379  
*Newmont Mining Corp.*—246, 264, 265  
*New Zealand*—235, 282, 286, 302, 364  
*Nicaragua*—85, 249, 279, 293, 355, 364  
*Nigeria*—282, 339, 364  
*Non-aligned movement*—377-79  
*Havana Conference 1979*—378  
*North British Rubber Co., Ltd.*—307  
*Norway*—31, 47, 116, 290, 316, 364



## O

- Occidental Petroleum Corp.*—249
- October Revolution, 1917*—7, 13, 58, 61, 78, 291, 374, 375, 377
- Oil* (see *Petroleum*)
- Oil companies* (see also individual entries)—89, 150, 154, 233-53, 321, 323, 342, 343-346, 351, 355
- Anglo-American rivalry—233, 239, 240, 242, 244, 249
- Oman*—26, 364
- '*Open door*' policy
  - in China—52, 60, 61, 67, 70, 95
  - in Middle East—238-40
  - toward Russia—95
- Organisation for Economic Cooperation and Development (OECD)*—27, 31, 289
- Organisation of Petroleum-Exporting Countries (OPEC)*—346, 348, 349
- Overseas Private Investment Corporation (OPIC)*—334, 335

## P

- Pakistan*—190, 221, 252, 282, 364
- Paley Commission*—231
- Panama*—28, 249, 279, 338, 340, 355, 364
- Pan American Oil Co.*—248
- Paris Conferences*
  - 1916—62
  - 1919 (see *Paris Peace Conference*)
  - 1921—126
  - 1947—201
- Paris Peace Conference*—82, 93, 125
- Peace Programme of the 24th, 25th and 26th Congresses of the CPSU*—14, 15, 381
- Peaceful coexistence*—37
- Percy-Yamani Agreement*—345
- Peru*—116, 166, 183, 248, 279, 285, 338, 340, 355, 364
- Petro-Canada*—321
- Petroleum*
  - nationalisation—244, 245, 318, 319, 344-47, 350
  - prices—233, 236, 237, 344, 348, 355
  - production—118, 119, 154, 237, 252
  - U.S. struggle for markets—232-72
- Petroleum Reserves Corporation*—242
- Petrosud*—311
- Philippines*—34, 35, 52, 53, 67, 117, 171, 190, 211, 215, 221, 228, 280, 285, 338, 341, 342, 355, 364
- Philips Petroleum*—246
- Platinum*—261, 266
- Political discrimination*
  - against developing countries—334

- against USSR and other socialist countries—36-38, 204, 288, 371, 372, 375
- Portugal*—35, 47, 127, 238, 290, 316, 364
- Potsdam Conference, 1945*—303, 311
- Profits*—11, 26, 27, 175-77, 180, 181, 198, 236, 237, 244, 245, 248, 250, 253, 260, 304, 318, 319, 323, 324, 328, 330, 335, 337, 350, 353, 355, 356, 361
- from U.S. direct investments in developing countries—355, 356
- of American corporations
  - in Africa—353-55, 361
  - in Latin America—90, 91, 112-16, 118, 161, 162, 179, 180, 353, 361
- rates of—236, 355, 356
- Public Law 480*—205, 229
- Puerto Rico*—52, 53, 249

## Q

- Qatar*—345, 346, 348, 350, 365
- Qatar Petroleum Co.*—346

## R

- Racism*—301
- Randall Commission*—223, 224, 232
- Reaganomics*—9, 11, 17
- Reichsbank*—126, 143
- Reparations*—81-84, 91, 120-35, 138, 140, 146
- Rockefeller group*—162, 259, 309, 341
- Rome, Treaty of*—306
- Roxana Petroleum*—240
- Royal Dutch-Shell*—211, 240, 245, 247, 344
- Russia*—47, 55-63, 73, 86, 100
- czarist and Provisional governments' debts—63, 73-75, 86, 96-98, 101
- expansion of American capital in—47, 48, 55-63
- national wealth—47

## S

- St. Joseph Lead Co.*—264, 265
- San Francisco Peace Treaty*—313
- San Remo Agreement*—240
- Saudi Arabia*—237, 240, 241, 243, 244, 345, 346, 348, 350, 351, 365
- Scientific and industrial (technological) revolution*
  - exploitation for imperialist expansion—8, 18, 19, 294
  - socio-economic consequences—8
- Senegal*—285, 364
- Sinclair Oil Corp.*—246

- Singapore*—28, 228, 330, 338, 341, 342, 355, 364
- Socony Vacuum Oil Co.* (see also *Mobil Oil Corp.*)—234, 245, 307
- Somalia*—23
- South Asia*—190, 210, 220, 229
- South-East Asia*—207, 216, 229, 252, 255, 341, 342
- South Korea*—28, 190, 221, 228, 339, 341, 342
- South Vietnam*—190, 208, 221, 341
- Spain*—35, 47, 117, 238, 285, 316, 364
- Sri Lanka* (see *Ceylon*)
- Stagflation*—9
- Standard Oil Company of California*
  - 235, 245, 252, 344
- Standard Oil Company of Indiana*—248
- Standard Oil Company of New Jersey*
  - 142, 143, 149, 211, 234, 235, 240, 245, 246, 248, 249, 307, 344
- State monopoly capitalism*
  - American—368
  - and concentration of production and capital—24, 105, 236, 237, 247, 294
  - and export of capital—19-32, 235, 242, 251, 325, 368
  - militarisation—16, 159, 237
  - crisis of economic regulation—7, 8, 15
- Stettinius Associates-Liberia Inc.*—258
- Sudan*—35, 282, 364
- Sweden*—31, 34, 238, 290, 316
- Switzerland*—31, 33, 34, 47, 117, 136, 290, 302, 316, 318
- Syria*—345, 348, 364

## T

- Tanzania*—285, 364
- Texas Eastern Transmission Corp.*—246
- Texas Oil Co. (Texaco)*—234, 235, 245, 252, 258, 310, 344
- Thailand*—35, 256, 257, 259, 339, 341, 342, 364
- Tide Water Associated Oil Co.*—246
- Tin*—210, 217, 221, 253, 260-63
- Transnational Banks*—29, 30, 297
- Transnational Corporations*—28, 29, 32, 359-61, 368, 379
- Treaties*
  - bilateral—168-69, 172-74
  - multilateral—303
  - Portsmouth—60, 66
  - Tientsin—67
  - Versailles (see *Versailles, Treaty of*)
- Trilateral Commission*—369
- Truman Program*—171, 187, 188, 203, 206, 207, 216, 219, 257, 278

- Tunisia*—285, 364
- Turkey*—35, 187, 190, 221, 280, 290, 364

## U

- Uganda*—285, 364
- UNCTAD*—29, 302, 352, 376, 378
- Unemployment*—8, 10, 17, 300, 328
- Unequivalent exchange*—325
- Uneven development of capitalism*—33, 34, 105, 106, 120
- UNIDO*—342
- United Brands Co.*—211
- United Fruit Co.* (see *United Brands Co.*)
- United Kingdom* (see *Great Britain*)
- United Nations*
  - Commission on Transnational Corporations—29
  - Economic and Social Council (ECOSOC)—378
  - General Assembly—209, 212, 270, 271
- U.N. Conference on Trade and Development* (see *UNCTAD*)
- U.N. Industrial Development Organisation* (see *UNIDO*)
- U.N. International Monetary and Financial Conference* (see *Bretton Woods Conference*)
- United States Rubber Co.*—259
- United States Steel Co.*—149, 215, 265
- U. N. Relief and Rehabilitation Administration* (see *UNRRA*)
- UNRRA*—188
- Uranium*—23, 210, 261, 266
- Uruguay*—91, 119, 238, 249, 278
- U.S. Administrations*
  - Adams—67
  - Carter—34
  - Coolidge—90, 91
  - Eisenhower—218-19, 296
  - Hoover—58, 130-32, 170
  - Jefferson—69
  - Kennedy—187, 219, 227, 326, 327, 332
  - McKinley—52
  - Nixon—223, 333, 334
  - Reagan—9-11, 34, 35, 327, 359, 360, 366, 368, 379
  - Roosevelt, Theodore—57, 66, 68, 69,
  - Taft—58
  - Truman—173, 185, 188, 203, 206, 213, 216, 219, 257, 276, 278
  - Washington—69
  - Wilson—46, 62, 70, 72, 79, 80, 82-84, 87, 88, 125
- U.S. credits*—175
  - and foreign economic expansion—164, 167, 168, 177, 186-88, 190, 201, 202, 204, 216, 230, 243, 251



*U.S. military 'aid'*—35, 47, 169, 177, 187, 188, 189, 191, 207, 208, 219  
*U.S. struggle for foreign markets*—33, 34, 106, 110-13, 119, 300

## V

*Vacuum Oil Co.* (see also *Mobil Oil Corp.*)—95, 154  
*Vanoni Plan*—310  
*Vauxhall Motors Ltd.*—307  
*Venezuela*—54, 115, 167, 179, 181, 211, 228, 235, 247, 248, 249, 259, 279, 285, 338, 341, 355, 364  
*Vereinigte Stahlwerke* (see *German Steel Trust*)—129, 308  
*Versailles Conference, 1920* (see *Paris Peace Conference*)  
*Versailles, Treaty of*—46, 125, 133, 140, 240

## W

*War debts*  
 —British—73, 75, 76, 85  
 —Dawies Plan—122-130, 132, 135, 136, 146  
 —French—73, 76, 85  
 —Hoover Moratorium—130-32

—German—126-31  
 —Russian (Czarist and Provisional governments)—63, 73-75

*Wars, American involvement in*

—Crimean War—55  
 —Korea—232, 255, 303  
 —Russo-Japanese War—58-60, 64-66, 102  
 —Spanish-American—52  
 —World War I—49, 53, 58, 72-74, 100, 105  
 —World War II—154, 157, 159, 162, 168, 170, 174, 175, 177

*West Germany* (see *Federal Republic of Germany*)

*Westinghouse Electric Co.*—54

*World socialist system*—15, 326, 332, 347, 363, 372-74, 378, 380

## Y

*Young Plan*—122, 129, 130, 132, 137, 146

## Z

*Zinc*—210, 261, 263, 264, 265, 299

## NAME INDEX

### A

Abbott, Douglas—251  
 Acheson, Dean—200, 201, 207, 216, 231, 314  
 Adams, John Quincy—67  
 Aldrich, Winthrop—144  
 Allende, Salvador—370  
 Altmann, S.—24  
 Anaya, Ricardo—263  
 Andropov, Yu. V.—38, 382  
 Arismendi, Rodney—113, 116, 118, 119  
 Ashworth, W.—63  
 Attlee, Clement—196

### B

Baldwin, David—223  
 Baldwin, Hanson W.—174  
 Baldwin, Stanley—196  
 Barnet, Richard J.—142, 304  
 Barthou, Louis—98  
 Belous, T. Ya.—303  
 Bennett, Henry—216  
 Bertron, S. R.—62  
 Beveridge, Albert J.—58  
 Billy, Edouard de—82  
 Black, Eugene R.—223, 271  
 Bogart, Ernest—42  
 Bonnell, A. T.—132, 138  
 Breen, Thomas—258  
 Bücher, K.—24  
 Buck, Tim—250, 251  
 Bugrov, E. V.—300  
 Bullitt, William C.—93, 174  
 Burgess, W. Randolph—137, 165, 319  
 Byrnes, James F.—257

### C

Cailloux, Joseph—124  
 Calvo, Carlos—90  
 Campbell, W. Glenn—36  
 Carmical, J. H.—237  
 Carnegie, Andrew—43  
 Carter, J.—34  
 Cassini, A. P.—61, 66  
 Castillon, Richard—125, 135-137

Chamberlain, Joseph—64  
 Chamberlain, Neville—196  
 Cheklin, N.—170  
 Chenery, Hollis B.—241  
 Chiang Kai-shek—191  
 Chibrikov, G. G.—334  
 Child, Richard W.—98  
 Churchill, Winston—194, 196, 231  
 Clausen, Alden—365  
 Clayton, William—201  
 Collins, Percy—55  
 Coolidge, Calvin—90, 91  
 Crane, Charles R.—62  
 Crosby, Oscar T.—82  
 Cutler, Robert—239

### D

Dakin, Douglas—94  
 Davies, Raymond A.—55  
 Dawes, R. C.—127  
 Deborin, G. A.—123, 149  
 Denikin, A. I.—86  
 Dennet, Tyler—68, 69  
 Dimitrov (Dimitroff), Georgi—141  
 Dobrov, A.—60  
 Dodd, Martha—144, 150, 154  
 Dodd, William E.—144, 150, 154  
 Dodd, William E., Jr.—144, 150, 153, 154  
 Douglas, Lewis W.—201  
 Douglas, W. O.—217  
 Duignan, Peter—36, 304  
 Duisberg, Carl—153  
 Dulles, Allen—144  
 Dulles, John Foster—144, 239  
 Dunn, Robert W.—51, 73, 76, 138

### E

Engelbrecht—154  
 Engels, Frederick—16  
 Eschwege, Ludwig—31  
 Eventov, L.—63

### F

Faingar, I. M.—138  
 Feld, Werner I.—360



Fisk, Harvey E.—51, 53, 86, 100, 133  
 Foster, William Z.—40, 43, 45, 46,  
 72, 115, 188, 199  
 Francis, David—62, 86  
 Franke, Otto—64  
 Freeman, Joseph—45, 51, 64, 68  
 Friedman, Milton—369

## G

Gaitskell, Hugh—276  
 Gideonse, Harry D.—126, 130  
 Gilder, George—9, 10, 17  
 Glass, Carter—82  
 Goldstein, I. I.—138  
 Goodrich, Leland M.—162, 166  
 Gordon, Wendell C.—262  
 Goux, Christian—226, 310, 335  
 Graves, William S.—87  
 Grunzel, Joseph—64

## H

Hacker, Louis M.—42  
 Hall, Gus—10, 296, 301, 328  
 Harms, Bernhard—64  
 Harriman, Edward H.—57, 139  
 Harrison, W.—267  
 Hay, John—61, 66  
 Herring, George C., Jr.—170  
 Hilferding, Rudolf—24  
 Hishida, S.—63  
 Hobson, J. A.—24  
 Hoffman, Paul—289  
 Hoover, Herbert—58, 130-32, 170  
 House, Edward M.—87  
 Houston, David F.—82  
 Hughes, Charles E.—125, 130  
 Huntley, James Robert—319

## I

Ickes, Harold L.—242  
 Inozemtsev, N. N.—19  
 Ishii, K.—70  
 Ivanov, I. D.—369

## K

Kaledin (Kaledine), A. M.—86, 87  
 Kaplan, Jacob J.—222  
 Kautsky, Karl—23  
 Kendrick, B.—42  
 Kennedy, J. F.—20, 187, 219, 326,  
 327, 332  
 Keynes, J. M.—9, 73, 125, 133, 134,  
 273  
 Khesin, E. S.—19, 296  
 Kindleberger, Charles—288, 291  
 Klotz, M.—82  
 Knox, Frank—150

Kokovtsev, V. N.—103  
 Kolchak, A. S.—86, 88  
 Krasner, Stephen D.—333  
 Krupp, Alfred—131, 138, 143, 153  
 Kuczynski, Richard—136, 138, 139

## L

Laffer, Arthur B.—9  
 Lambert, M. E.—94  
 Lamont, Thomas L.—79, 80, 129  
 Lamsdorf, V. N.—61, 66  
 Landeau, Jean-François—226, 310,  
 335  
 Lansing, Robert—70, 86, 87, 88  
 Laval, Pierre—132  
 Lenin, V. I.—7, 8, 11-14, 16-18, 22-  
 27, 31-33, 36, 38, 41-43, 45, 48,  
 50, 51, 53, 57, 63, 64, 67, 72, 73,  
 94, 99, 101-104, 106, 120, 122,  
 123, 134, 155, 178, 184, 194, 367,  
 368, 371, 372, 374, 376, 377  
 Levina, R. S.—138  
 Lewis, Cleona—77, 114, 141  
 Liefmann, Robert—42  
 Lincoln, Abraham—44  
 Lippmann, Walter—40, 216  
 Llewellyn, J. Bruce—335  
 Lloyd George, David—83-85, 98, 195  
 Lobel, Luc de—57, 58  
 Lodge Henry Cabot—46, 58  
 Lundberg, Ferdinand—80  
 Lyubimov, N. N.—78

## M

MacDonald, J. Ramsay—196  
 Mandell, Robert—9  
 Mann, Henry—144  
 Mantoux, Etienne—127, 132, 135,  
 137  
 Manukian, A. A.—19  
 Marshall, George—198-205  
 Martin, James S.—143  
 Marx, Karl—7, 10, 12, 16, 24, 39, 44-  
 46  
 McCloy, John J.—271  
 McCormick—61, 309  
 McGhee, George—242  
 McKinley, William—52  
 McNamara, Robert S.—271  
 Medlicott, W. N.—94  
 Meier, G. M.—304  
 Mellon, Andrew—137, 234, 235  
 Melnikov, Yu. M.—327  
 Menshikov, S. M.—9  
 Meyer, Eugene—271  
 Meyer, Hershel D.—150  
 Mikesell, Raymond F.—118, 133,  
 241, 267  
 Mergan, J. P.—43, 129, 138

Morgan, Shepard—137  
 Morgenthau, Henry—267  
 Mossadeq—235  
 Moulton, Harold G.—82-84, 124,  
 131, 132, 146  
 Moynihan, Daniel—358  
 Mühlen, N.—149  
 Mulhall, Michael G.—46, 47  
 Müller, Ronald E.—142  
 Musgrave, Peggy B.—249  
 Mussolini, Benito—89

## N

Nasser, Gamal Abdel—209, 210  
 Nearing, Scott—45, 51, 64, 68  
 Nehru, Jawaharlal—11, 14, 15  
 Nixon, Edgar B.—153  
 Nixon, Richard—223, 333, 334  
 Norden, Albert—143, 150

## O

Ogawa, Gotaro—65  
 Ol, P. V.—59  
 O'Leary, Games—359  
 Owen, Robert—44

## P

Page, Walter H.—72, 80  
 Parrington, Vernon—43  
 Pasvolsky, Leo—82-85, 124, 129, 131,  
 132  
 Percy, George—345  
 Perkins, T. N.—129  
 Perry, Matthew—47  
 Poensgen, Ernst—149  
 Pomeroy, William J.—52  
 Porter, Horace—54  
 Primakov, A. E.—345  
 Proudhon, P. J.—10

## Q

Qin Benli—67, 69, 71

## R

Rabushka, Alvin—36, 304  
 Randall, Clarence B.—233  
 Reagan, Ronald—10, 34, 230, 237,  
 359, 366, 379  
 Reynolds, Jackson E.—137  
 Ricci, V. R.—95  
 Rockefeller, John D.—43  
 Roosevelt, Franklin D.—115  
 Roosevelt, Theodore—57, 66, 68  
 Root, Elihu—61, 63

Ross, George T.—213  
 Rozen, R.—60

## S

às-Said, Nuri—218  
 Sampson, Anthony—344  
 Samuelson, Paul A.—9, 227  
 Santalov, A. A.—254, 261  
 Saravia, Victor H.—263  
 Say, J.-B.—9, 10  
 Schacht, Hjalmar—123, 126-29, 137,  
 141, 143, 154  
 Schiff, Jacob—64  
 Schlesinger, Arthur M., Jr.—326  
 Schulze-Gaevernitz, Gerhart—24  
 Seldes, George—89, 178  
 Seward, William H.—56  
 Shcherbakov, V. V.—294  
 Shisha, A.—58  
 Sloan, Alfred P., Jr.—157, 158  
 Snyder, John W.—276  
 Steiger, Andrew J.—55  
 Stettinius, Edward R., Jr.—173, 178,  
 257  
 Stevens, John F.—61, 62  
 Stevenson, John F.—61, 62  
 Stewart, Walter W.—137  
 Stimson, Henry L.—137  
 Stork, Joe—242, 243  
 Sutton, Anthony C.—138, 149, 154  
 Sysoev, I. N.—297

## T

Tafel, Paul—41-43  
 Taft, William H.—58  
 Talbott, Harold E.—178  
 Tardieu, André—125, 126  
 Thaelmann, Ernst—128  
 Thorez, Maurice—199-201, 204, 203  
 Thorp, Willard—201  
 Thyssen, Fritz—131, 138, 153  
 Togliatti, Palmiro—201, 202, 204  
 Truman, Harry—171, 173, 185, 187,  
 188, 207, 210, 216, 219, 263, 275,  
 276, 278  
 Tur, Norman B.—9  
 Twain, Mark—48

## U

Urquhart, Leslie—59

## V

Vanderbilt, Cornelius—43  
 Varga, E.—40  
 Viallate, Achille—70, 71  
 Voegler, Albert—129  
 Voznesensky, N.—170



## W

Washington, George—44, 69  
 Weill Raynal, Emile—125  
 Westrick, Gerhard A.—143  
 Williams, Benjamin H.—51  
 Wilson, Woodrow—46, 61, 70, 80,  
 83, 84, 86-88, 125  
 Witte, S. Yu.—102  
 Woods, George D.—284  
 Wrangel, P. N.—86

## Y

Yamani, Sheikh Ahmed Zaki—345  
 Young, Owen D.—137  
 Yudanov, Yu. I.—294

## Z

Zabriskie, Edward H.—66, 67  
 Zhelezova, V. F.—297, 316

## TABLES

Table 1.1. Distribution of U.S. Overseas Direct Investments, 1950-1981	21
Table 1.2. Total Profits Received by the USA from Direct Foreign Investments, 1966-1981 (\$ million)	26
Table 1.3. Ratio of Direct Investment Inflow to Total Profits Transferred Abroad (aggregate figures in \$ million for 62 developing countries)	27
Table 1.4. Scale of Economic 'Aid' to Developing Countries, 1980 (\$ million, and percentage of the national product of the countries rendering 'aid')	31
Table 1.5. The Biggest Recipients of U.S. Economic and Military 'Aid', 1981 (\$ million)	35
Table 2.1. Size and Structure of the National Wealth of Selected Countries, 1895 (£ million)	47
Table 2.2. U.S. Investments Abroad and Foreign Investments in the USA before World War I (1843-1914) (\$ billion)	49
Table 2.3. U.S. Net Foreign Indebtedness, 1789-1900 (\$ million)	50
Table 2.4. American Foreign Investments before World War I (1913)	53
Table 2.5. American Capital in Russia in 1917	59
Table 2.6. Japan's Foreign Loans during the Russo-Japanese War (1904-1905)	65
Table 3.1. Inter-Allied Indebtedness for World War I, 1914-1918 (£ million)	74
Table 3.2. U.S. Foreign Investment Position, 1914-1919 (\$ billion)	77
Table 3.3. Total Principal and Interest to Be Paid to the USA by 15 War Debtors	85
Table 4.1. U.S. Investments Abroad, 1919-1940 (\$ billion)	107
Table 4.2. The U.S. Position as an International Creditor, 1914-1939 (\$ billion)	108
Table 4.3. The Structure of U.S. Foreign Investments, 1914-1940 (\$ billion)	111
Table 4.4. U.S. Direct Foreign Investments, 1929-1940 (\$ million)	111
Table 4.5. U.S. and British Capital Investments in Latin America, 1913-1939 (\$ million)	113
Table 4.6. Geographical Distribution of American Capital Abroad, 1914-1935 (\$ million)	114
Table 4.7. Geographical Distribution of U.S. Direct Investments, 1914-1938 (\$ million)	114
Table 4.8. U.S. Investments in Latin America, 1940 (\$ million)	116
Table 4.9. The Sharing of Reparations (per cent)	127
Table 4.10. German Loans Placed Abroad (primarily in the USA) in 1924-1930	139
Table 5.1. The Movement of American Investments Abroad and of Foreign Investments into the USA, 1939-1945 (\$ million)	160
Table 5.2. Geographical Distribution of U.S. Direct Investments Abroad, 1936-1943 (\$ million)	162
Table 5.3. Size and Dynamics of the Export-Import Bank's Operations (\$ million)	165
Table 5.4. Profits of American Corporations, 1941-1945 (\$ billion)	175
Table 5.5. Profits by Sectors of the U.S. Economy, 1936-1939; 1942-1945	176
Table 5.6. Revenue from U.S. Foreign Investments, 1940-1945 (\$ million)	179
Table 5.7. Income from U.S. Direct Foreign Investments, by Industry, 1940-1945 (\$ million)	180
Table 5.8. Distribution of U.S. Income from Direct Investments, by Area and Industry, 1940-1945 (\$ million)	182



Table 5.9. Profits from U.S. Direct Foreign Investments, by Selected Countries, 1940-1944 (\$ million)	183
Table 6.1. American 'Aid' to Foreign Countries (\$ billion)	188
Table 6.2. Structure of American 'Aid' (\$ million)	189
Table 6.3. Geographical Distribution of U.S. Government Foreign Grants and Credits (\$ million)	190
Table 6.4. Geographical Distribution of U.S. Economic Interests, 1965 (\$ billion)	220
Table 6.5. U.S. Direct Foreign Investments in 1936, 1950, 1953 (\$ million)	220
Table 6.6. Movement of U.S. Direct Private Investments, 1936-1965 (\$ billion)	222
Table 6.7. Sectoral Structure of U.S. Direct Private Investments in Developed Capitalist Countries, 1950-1965 (\$ million)	225
Table 6.8. Average Annual Rates of Growth of U.S. Direct Investment in West European Manufacturing (per cent)	226
Table 6.9. Structure of U.S. Direct Private Investments in Developing Countries, 1950-1965 (\$ million)	228
Table 6.10. Oil Imports by Capitalist and Developing Countries (million tonnes)	238
Table 6.11. Petroleum Production in Venezuela, 1938-1965	247
Table 6.12. U.S. Share in the Capitalist World's Production of Petroleum, 1953 (per cent)	252
Table 6.13. Growth of the Number of Motor Vehicles, Production and Consumption of Rubber in the Capitalist World (1929 = 100)	254
Table 6.14. U.S. Imports of Natural Rubber, 1937-1965 (000 tonnes)	254
Table 6.15. Growth of U.S. Imports of Selected Primary Commodities, 1950-1960 (percentage of consumption)	261
Table 6.16. Mining of Tin in Capitalist Countries, 1943-1965 (percentage of 1937)	261
Table 6.17. Quotas of Members of the International Bank for Reconstruction and Development	276
Table 6.18. Geographical Distribution of World Bank Loans in 1947-1967	282
Table 6.19. Industrial Structure of IBRD Loans (at 30 June 1967)	283
Table 6.20. Geographical Distribution of IFC Investments (biggest recipients)	285
Table 6.21. International Monetary Fund Loans (\$ million)	286
Table 6.22. Ratio of Currencies in IMF Loans at the End of the 1950s	287
Table 6.23. Net Surplus or Deficit of EPU Members in 1955 and 1956 (\$ million)	290
Table 7.1. Selected Growth Rates of Gross National Product (percentage changes)	294
Table 7.2. Selected Indexes of Industrial Production, 1970 to 1980 (1967 = 100)	294
Table 7.3. Mean Annual Growth Rates of Labour Productivity in the Manufacturing Industry of Selected Countries (percentage changes)	295
Table 7.4. Capitalist World's Exports, 1965-1981 (per cent)	295
Table 7.5. Foreign Exchange Reserves of Selected Countries, 1962-1980 (per cent)	298
Table 7.6. The Structure of Reserve Currencies, 1975-1981 (percentage at the end of the year)	299
Table 7.7. Dependence of the Centres of Imperialism on Selected Imported Materials, 1975 (percentage of consumption)	299
Table 7.8. Average Term of Public and Private Loans to Developing Countries, 1965-1979	302
Table 7.9. Foreign Direct Investments of Developed Capitalist Countries, 1967-1978	302
Table 7.10. Ratio of the Value of the Product of Foreign Affiliates to the Value of the GNP and Commodity Exports, 1960-1979 (per cent)	304
Table 7.11. Export of Capital from Developed Capitalist Countries for Direct Investments Abroad, 1965-1979 (percentage of the total)	305
Table 7.12. U.S. Direct Private Investments in Developed Capitalist Countries, 1966-1981 (\$ billion)	315

Table 7.13. U.S. Direct Investments in Western Europe, 1966-1981 (\$ billion)	316
Table 7.14. Profits from U.S. Direct Private Investments in Western Europe, 1966-1981 (\$ million)	318
Table 7.15. U.S. Direct Investments in Canada, 1966-1981 (\$ million)	320
Table 7.16. Profits from U.S. Direct Investments in Canada, 1966-1981 (\$ million)	322
Table 7.17. U.S. Direct Investments in Japan, 1966-1981 (\$ million)	322
Table 7.18. Japan's Imports of Oil, 1979-1980	323
Table 7.19. Profits from U.S. Direct Private Investments in Japan, 1977-1980 (\$ million)	323
Table 7.20. Movement of the Rates of Profit from U.S. Direct Private Investments in Developed Capitalist Countries, 1960-1980 (per cent)	324
Table 7.21. Structure of the Annual Flow of U.S. Capital to Developing Countries, 1965-1979 (\$ billion)	329
Table 7.22. Structure of the Annual Export of Capital from Capitalist Countries to Developing Countries in the Form of Direct Investments, 1965-1979 (per cent)	331
Table 7.23. U.S. Direct Private Investments in Developing Countries, 1965-1980 (\$ billion)	332
Table 7.24. Structure of U.S. Private Direct Investments in Developing Countries and Territories, 1966-1981 (\$ million)	338-339
Table 7.25. American Companies' Profit-Making from Middle East Oil Operations (\$ per barrel)	350
Table 7.26. The Scale and Structure of Developing Countries' Foreign Indebtedness, 1979-1982 (\$ billion)	352
Table 7.27. Profits of Overseas Affiliates of American Companies Transferred to the USA, 1966-1980 (\$ million)	353
Table 7.28. Profits from U.S. Direct Investments in Selected Developing Countries and Territories, 1977-1981 (\$ million)	355
Table 7.29. Rate of Profit on U.S. Direct Investments in Developing Countries, 1966-1980 (per cent)	356
Table 7.30. Loans Extended by the World Bank at 30 June 1982 (\$ million)	364